

Jennifer M. Granholm, Governor
Robert J. Kleine, State Treasurer

2006

MICHIGAN 1040

Individual Income Tax

Forms and Instructions
Filing Due Date: April 17, 2007

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Make it
easy
on yourself ...

- File your return electronically.
- More than half of all Michigan taxpayers already do!
- Tax preparers who complete 200 or more Michigan income tax returns are required to e-file all eligible returns that are supported by their software.
- Free e-file is available. Do you qualify?



To learn more, go to

www.Mlfastfile.org

Visit Treasury's Web Site at www.michigan.gov/treasury

Help With Your Taxes

The Michigan Department of Treasury offers a variety of services designed to assist you, and most are available 24 hours a day, seven days a week.

IMPORTANT: To obtain information about your account using the following Internet and telephone options, you will need the following information from your return:

- Social Security number of the primary filer (filer listed first on the return)
- Tax year of the return
- Adjusted gross income or household income
- Filing status (single, married joint, married separate).

INTERNET OPTIONS

www.michigan.gov/incometax

Find the following information on this Web site:

- Current year forms and instructions
- Answers to many tax preparation questions
- Most commonly used tax forms
- Free assistance in preparing your return
- Other tax time resources.

www.michigan.gov/iit

This secure Web site was designed specifically to protect your personal tax information. Use this Web site to:

- Check the status of your return
- Check estimated payments you made during the year

- Check the status of letters you have sent to Treasury
- Change your address
- Ask a specific question about your account.

TELEPHONE OPTIONS

1-800-827-4000 Automated Information Service

With Treasury's automated phone system, you can:

- Request the status of your refund
- Request information on estimated payments
- Order current tax year forms.

Tele-Help: For prerecorded information about income tax and tax credit topics, dial 1-800-827-4000 and press option "1." See below for a complete list of topics.

While most questions can be answered by the Automated Information Service, you may speak with one of our customer service representatives from 8:00 a.m. to 4:45 p.m., Monday through Friday, by calling 1-800-827-4000.

TTY: Persons who have hearing or speech impairments may call (517) 636-4999.

FORMS

Find tax forms using the Internet and Telephone Options listed on this page. Commonly used forms are also available at Treasury offices (see back cover) and most public libraries, Northern Michigan post offices, Michigan Secretary of State branch offices and Department of Human Services (DHS) branch offices.

Tele-Help Code Numbers and Topics Tax Information at Your Fingertips! Call 1-800-827-4000

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Important News for 2006

Increase in Exemption Allowances and Pension and Interest Deductions

For 2006, the personal exemption allowance increased to \$3,300 and the special exemptions increased to \$2,100. See page 10 for more information.

For tax year 2006, pension benefits included in adjusted gross income (AGI) from a private pension system or an Individual Retirement Account (IRA) are deductible to a maximum of \$40,920 for a single filer, or \$81,840 for joint filers.

Senior citizens age 65 or older may be able to deduct part of their interest, dividends and capital gains that are included in AGI. For 2006, the deduction is limited to a maximum of \$9,128 for single filers and \$18,255 for joint filers. See Schedule 1 instructions beginning on page 14 for further details regarding pension benefits and senior citizen interest deductions.

Filing Extension Granted for Military Personnel Serving in a Combat Zone

United States military personnel serving in a combat zone on April 17, 2007, will be given 180 days after leaving the combat zone to file their federal and state tax returns and will be exempt from penalties and interest. Servicemen and women serving in combat zones will simply need to print “*Combat Zone*” in ink on the top of page 1 of their return. Visit our Web site at www.michigan.gov/treasury for more information.

New Voluntary Contribution for the Children of Veterans Tuition Grant Program

Michigan income taxpayers can now voluntarily contribute \$2 or more to the Children of Veterans Tuition Grant Program on their *Michigan Individual Income Tax Return* (Form MI-1040). Contributions will be a key source of funding for undergraduate tuition expenses at Michigan colleges and universities. See instructions for line 31 on page 12.

Stillbirth Credit

Taxpayers receiving a Certificate of Stillbirth from the Department of Community Health may take a credit of \$150. See page 12 for instructions.

Appeals of Adjusted Refunds or Credits

Effective October 1, 2006, the time allowed for taxpayers to request informal conferences with Treasury has increased from 30 days to 60 days. Taxpayers also have 60 days from the issuance of refund denials or adjustments, or Treasury decisions other than final assessments that may be appealed under Section 22 of the Revenue Act, to request informal conferences.

Changes to Income Tax Forms

Many of the 2006 Michigan tax returns, schedules and credit forms have been redesigned to allow for easier completion and processing. Please read “How to Complete and File Paper Returns” on page 5 before completing your form to ensure that your return can be processed quickly and accurately.

Choose e-file Instead of Paper Returns Get Your Refund Fast!

E-filing eliminates many of the errors that lengthen processing times. Tax preparers who complete more than 200 income tax returns are required to e-file all eligible returns. Visit our Web site at www.MIfastfile.org to find an authorized e-file provider near you, a list of resources offering this service and information on free e-file services.

Easy to Use Direct Deposit

Direct Deposit your Michigan income tax refund by completing the account information on your MI-1040 (bottom of page 1) or your MI-1040CR (bottom of page 2). Your refund is deposited safely into your bank account and is immediately available. See page 13.

Renaissance Zones

Beginning in 2006, certain Renaissance Zones, along with the tax benefits will begin to phase out. See instructions for Schedule 1, line 15, on page 15.

Customer Self-Service

Visit our Web site at www.michigan.gov/iit to access Treasury’s on-line Customer Self-Service. See page 2 for available service options.

Property Tax Credits/Refunds

A reminder from the Internal Revenue Service (IRS)

Michigan homestead property tax credit and homestead exemption refunds received in 2006 may be taxable on your 2006 U.S. 1040. If you claimed an itemized deduction for property taxes on your 2005 U.S. 1040 and then received a refund in 2006 from the state or your local unit of government for a portion of those taxes, you must include that refund as income on your 2006 U.S. 1040. If you have questions about the taxability (for federal tax purposes) of the refunds, call the IRS at 1-800-829-1040.

Use Tax

You may pay use tax that you owe for the 2006 tax year on your 2006 MI-1040, line 32. See page 9 for more information on use tax.

What You Should Know About Your Michigan Form 1099-G

If you itemized deductions on your 2005 federal income tax return and received a tax refund in 2006, you will be mailed a 2006 Michigan 1099-G form in early 2007 that shows the amount of your 2005 refund that was issued in 2006. The refund amount will include any amounts credited forward to 2006 estimated tax, prior year refunds issued in 2006, refund amounts intercepted by Treasury to apply to back tax assessments or other state debts (such as child support), and any portion of a refund assigned to pay use tax. The refund amount will not include homestead property tax credits, adoption credits or other refundable tax credits claimed on the MI-1040. **FORM 1099-G IS NOT A BILL.** Visit our Web site at www.michigan.gov/incometax for more information about your Michigan 1099-G.

A Note About Debts

By law, any money you owe to the state and other agencies must be deducted from your refund or credit before it is issued. Debts include: money you owe for past-due taxes, student loans, child support due the Friend of the Court, an IRS levy, money due a state agency, a court-ordered garnishment or other court orders. Taxpayers who are married, filing jointly, may receive an *Income Allocation to Non-Obligated Spouse* (Form 743) after the return is filed. Completing and filing this form may limit the portion of the refund that can be applied to a liability. If Treasury applies all or part of your refund to any of these debts, you will receive a letter of explanation.

Adjusted Gross Income (AGI)

Throughout this book, we refer to adjusted gross income as AGI. Copy your AGI directly from your U.S. 1040 line 37, or U.S. 1040A, line 21.

Who Must File a Return

File a return if you owe tax, are due a refund or your AGI exceeds your exemption allowance. You should also file a Michigan return if you file a federal return, even if you do **not** owe Michigan tax. This will eliminate unnecessary correspondence from Treasury.

- If your parents (or someone else) can claim you as a dependent on their return and your AGI is \$1,500 or less if single or married filing separately, you do not need to file a return unless you are claiming a refund of withholding.

- If single or married filing separately and your AGI is over \$1,500 or if married filing jointly and your AGI is over \$3,000, you must file a return. See instructions on page 10.

Important: If your income subject to tax (line 14) is less than your personal exemption allowance (line 15) and Michigan income tax was withheld from your earnings, you must file a return to claim a refund of the tax withheld.

Who Must File a Joint Return

File a joint Michigan return if you filed a joint federal return. If you filed separate federal returns, you may file separate or joint Michigan returns. You may file a joint return only with your spouse.

Note: File as “single” only if you are **not** married, widowed, divorced or separated under court order.

When to File Your Return

Always complete your federal tax return before your Michigan return. You may file a Michigan return even if you are not required to file a federal return.

Your return must be postmarked no later than April 17, 2007, to be considered timely. Payment must be included with your return.

Make your check payable to “State of Michigan” and write your Social Security number(s) and “2006 income tax” on the front of the check. To avoid penalty and interest, if you owe tax, postmark no later than April 17, 2007.

If you cannot file before the due date and you owe tax, you may file an *Application for Extension of Time to File Michigan Tax Returns* (Form 4) with your payment. See page 6.

If you are due a refund, you must file a return within four years of the due date in order to obtain the refund.

Keep a copy of your return and all supporting schedules for six years.

Penalty and Interest Added for Filing and Paying Late

If you file and pay late, Treasury will add a penalty of 5 percent of the tax due. After the second month, penalty will increase by an additional 5 percent per month, or fraction thereof, up to a maximum of 25 percent of the tax due. If you pay late, you must add penalty and interest to the amount due. The interest rate through June 30, 2007, is 9.1 percent. For interest rates after June 30, 2007, visit our Web site at www.michigan.gov/treasury or call 1-800-827-4000.

How to Complete and File Paper Returns

Completing Your Forms

Treasury uses scanning equipment to capture the information from paper income tax returns. To avoid unnecessary delays caused by manual processing, follow the guidelines below so that your return is processed quickly and accurately.

- **USE BLACK OR BLUE INK.** Do not use pencil, red ink, or felt tip pens. Do not highlight information.
- **PRINT USING CAPITAL LETTERS (UPPER-CASE).** Capital letters are easier to recognize.
- **PRINT NUMBERS LIKE THIS: 0123456789**
Do **not** put a slash through the zero (0) or seven (7).
- **LEAVE LINES/BOXES BLANK** if they do not apply to you or if the amount is zero.
- **DO NOT WRITE EXTRA NUMBERS, SYMBOLS OR NOTES** on your return, such as cents, dashes, decimal points or dollar signs. Enclose any explanations on a separate sheet unless you are instructed to write explanations on your return.
- **STAY WITHIN THE LINES** when entering information in boxes.
- **USE WHOLE DOLLARS.** Round down amounts less than 50 cents. Round up amounts of 50 cents through 99 cents. Do not enter cents. For example: 129.49 becomes 129, and 129.50 becomes 130.

When You Have Finished

If the preparer is someone other than the taxpayer, he or she must enter the business name and address of the firm he or she represents, and preparer tax identification number, federal employer identification number, or Social Security number. Check the box to indicate if Treasury may discuss your claim with your preparer.

Assemble your returns and attachments and staple in the upper-left corner. (Do not staple your check to your return.) If an *Individual Income Tax Barcode Datasheet* (Form 4220) is part of your filing, it must be the first item in the sequence followed by your MI-1040. A sequence number is printed in the upper-right corner of the following Michigan forms to help you assemble them in the correct order behind your MI-1040 form:

- MI-1040 Schedule 1
- Nonresident and Part-year Resident (Schedule NR)
- Farmland Credit (MI-1040CR-5)
- Schedule CR-5
- Property Tax Credit (MI-1040CR or MI-1040CR-2)
- College Tuition Credit (Schedule CT)
- Federal schedules (see Table 2, page 13)
- Schedule of Apportionment (MI-1040H)
- Qualified Adoption Expenses (MI-8839)

- Underpayment of Estimated Income Tax (MI-2210)
- Schedule of Withholding (Schedule W)
- Adjustments of Capital Gains and Losses (MI-1040D)
- Adjustments of Gains and Losses From Sales of Business Property (MI-4797)

If you are also filing a Home Heating Credit Claim (MI-1040CR-7) do **not** staple it to your return; fold it and leave it loose in the envelope.

Important Reminder: If you do not include all the required attachments with your return, your refund may be reduced, denied or delayed. Send original forms. Do not send photocopies.

Do not staple multiple prior year returns together.

Mailing Labels

Review the label on the back cover of this book. If your name and address are correct and your filing status is the same as last year (single, married filing jointly or married filing separately), place the label on the top of page 1 of your tax return. It is important that you place your label in the space provided.

If the information on your label is not correct, do not use the label. Enter the correct information on your return.

Where to Mail Your Return

Mail **refund, credit or zero due** returns to:

Michigan Department of Treasury
Lansing, MI 48956

If you **owe tax**, mail your return to:

Michigan Department of Treasury
Lansing, MI 48929

Make checks payable to “**State of Michigan**” and **print your Social Security number** and “**2006 income tax**” on the front of your check. To ensure accurate processing of your return, send one check for each return type. Do not staple your check to your return.

Do not mail your 2006 return in the same envelope with a return for years prior to 2006; mail your 2006 return in a separate envelope.

E-file and Leave the Paper Behind!



- Accurate
- Quick Refunds
- Proof of Acceptance
- May Be Free – do you qualify?

www.MIfastfile.org

Special Situations

Extensions

To request more time to file your Michigan tax return, send a payment of your estimated tax to Treasury with a copy of your approved federal extension (U.S. 4868) on or before the original due date of your return. Treasury will extend the due date to your new federal due date. If you do not have a federal extension, file an *Application for Extension of Time to File Michigan Tax Returns* (Form 4) with your payment. Treasury will **not** notify you of approval. **Do not file an extension if you will be claiming a refund.**

An extension of time to file is NOT an extension of time to pay. If you do not pay enough with your extension request, you must pay interest on the unpaid amount. Compute interest from the original due date of the return. Interest is 1 percent above the prime rate and is adjusted on July 1 and January 1.

You may be charged a penalty of 10 percent or more if the balance due is not paid with your extension request.

When you file your MI-1040 return, include on line 39 the amount of tax you paid with your extension request. Attach a copy of your federal or state extension to your return.

Note: If you requested and received an e-filed federal extension, you must attach your paper U.S. 4868 form to the MI-1040. If you e-filed your MI-1040 return and you e-filed your federal extension, you must send us a completed paper U.S. 4868 form.

2007 Estimated Payments

Usually, you must make estimated income tax payments if you expect to owe more than \$500 when you file your 2007 MI-1040. This is after crediting your property tax and farmland preservation credits and amounts you paid through withholding.

Common income sources which make estimated payments necessary are self-employment income, salary and wages if you do not have enough tax withheld, tips, lump sum payments, unemployment benefits, dividend and interest income, income from the sale of property (capital gains) and rental income.

You may ask your employer to increase your withholding to cover the taxes on other types of income.

Estimated payments are due April 17, 2007; June 15, 2007; September 17, 2007; and January 15, 2008. If you are a fiscal-year filer, the due dates are the same as your federal estimated payment due dates.

If you filed estimates for 2006, Treasury will send you personalized forms for 2007. Otherwise, request *Michigan Estimated Income Tax for Individuals* (Form MI-1040ES) (see page 2).

Exceptions: If you owe more than \$500, you may not have to make estimated payments if you expect your 2007 withholding and credits to be at least:

- 90 percent of your total 2007 tax, **or**
- 100 percent of your total 2006 tax.

Total 2006 tax is the amount on your 2006 MI-1040, line 28, less the amount on lines 34, 35, 36 and 37.

Note: 2007 estimates for taxpayers with 2006 AGI of \$150,000 or more for joint or single filers (\$75,000 or more for married filing separate) must equal 90 percent of the current year's liability or 110 percent of the previous year's liability.

Farmers, fishermen or seafarers may have to pay estimates, but have different filing options. If at least two-thirds of your gross income is from farming, fishing or seafaring, you may:

- Delay paying your first 2007 quarterly installment (with Form MI-1040ES) until as late as January 15, 2008, and pay the entire amount of your 2007 estimated tax due, **or**
- File your 2007 MI-1040 return and pay the entire amount of tax due on or before March 1, 2008.

You are considered a farmer or fisherman if you file U.S. *Schedule F* or *Schedule C*. Wages earned as a farm employee or from a corporate farm do **not** qualify you for this exception. You are considered a seafarer if your wages are exempt from income tax withholding under Title 46, Shipping, USC, Sec. 11108.

Failure to make payments or underpayment of estimates. If you fail to make required estimated payments, pay late or underpay in any quarter, Treasury may charge penalty and interest. Penalty

is 25 percent of the tax due (with a minimum of \$25) for failing to file estimate payments or 10 percent (with a minimum of \$10) for failing to pay enough with your estimates. Interest is 1 percent above the prime rate and is computed monthly. The rate is adjusted on July 1 and January 1.

Residency

Resident. You are a Michigan resident if Michigan is your permanent home. Your permanent home is the place you intend to return to whenever you go away. A temporary absence from Michigan, such as spending the winter in a southern state, does **not** make you a part-year resident.

Income earned by a Michigan resident in a nonreciprocal (See "Reciprocal States" on page 7) state or Canadian province is taxed by Michigan, and may also be taxed by the other jurisdiction. If you pay tax to both, you can claim a credit on your Michigan return. See instructions for line 23 beginning on page 11 and the example on page 12.

Part-year resident. You are a part-year resident if, during the year, you move your permanent home into or out of Michigan. You must pay Michigan income tax on income you earned, received or accrued while living in Michigan.

Use *Michigan Nonresident and Part-Year Resident Schedule* (Schedule NR) and the following guidelines to help you figure your tax:

- Allocate your income from the date you moved into or out of Michigan
- Bonus pay, severance pay, deferred income and any other amount accrued while a Michigan resident are subject to Michigan tax no matter where you lived when you received it
- Deferred compensation reported to you on form 1099-R and dividend and interest income are allocated to the state of residence when received
- Part-year residents who lived in Michigan at least six months of the tax year may qualify for a homestead property tax credit (see page 19).

Nonresident. Use Schedule NR to figure your Michigan taxable income. You must pay Michigan income tax on the following types of income:

- Salary, wages and other employee compensation for work performed in Michigan, unless you live in a state covered by a reciprocal agreement (see “Reciprocal States” below)
- Net rents and royalties from real and tangible personal property in Michigan
- Capital gains from the sale or exchange of real property located in Michigan, or of tangible personal property located in Michigan
- Patent or copyright royalties if the patent or copyright is used in Michigan or if you have a commercial domicile in Michigan
- Income (including dividend and interest income) from an S corporation, partnership or an unincorporated business or other business activity in Michigan
- Lottery winnings
- Prizes won from casinos or licensed horse tracks located in Michigan. Non-residents from reciprocal states must also declare these prizes as taxable.

Reciprocal States

Illinois, Indiana, Kentucky, Minnesota, Ohio and Wisconsin have reciprocal agreements with Michigan. Michigan residents pay only Michigan income tax on their salaries and wages earned in any of these states. A Michigan resident can file a withholding form with an employer in a reciprocal state to claim exemption from that state’s income tax withholding. The out-of-state income might make Michigan income tax estimate payments necessary. Residents of reciprocal states working in Michigan do not have to pay Michigan tax on salaries or wages earned in Michigan but do have to pay Michigan tax on business income earned from business activity in Michigan. A resident of a reciprocal state who claims a refund of Michigan withholding tax must file a Schedule NR.

Deceased Taxpayers

A **personal representative** for the estate of a taxpayer who died in 2006 (or 2007 before filing a 2006 return) must file if the taxpayer owes tax or is due a refund. A full-year exemption is allowed for a deceased taxpayer on the 2006 MI-1040. Use the deceased’s Social Security number and **your** address. If the taxpayer died after December 31, 2005, check the

appropriate box(es) in the “Deceased Taxpayers” section on the bottom of page 2 on form MI-1040.

The **surviving spouse** may file a joint return for 2006. Write your name and the deceased’s name and both Social Security numbers on the MI-1040. Write “DECD” after the deceased’s last name. You must report the deceased’s income. Sign the return. In the deceased’s signature block, write “Filing as surviving spouse.” If the taxpayer died after December 31, 2005, check the appropriate box(es) on page 2 of the MI-1040 form. See “Deceased Taxpayer Chart of Examples” on page 43, example A.

If filing as a **personal representative** or **claimant** and you are claiming a refund of a **single** deceased taxpayer, you must attach a *Statement of Person Claiming Refund Due a Deceased Taxpayer* (U.S. 1310) or *Michigan Claim for Refund Due a Deceased Taxpayer* (Form MI-1310). Enter the deceased’s name in the Filer’s Name field and the representative’s or claimant’s name in the Spouse’s Name field. See “Deceased Taxpayer Chart of Examples” on page 43, examples B or C.

If filing as a **personal representative** or **claimant** of a deceased taxpayer(s) for a **jointly** filed return, you must attach a *Statement of Person Claiming Refund Due Deceased Taxpayer* (U.S.1310) or *Michigan Claim for a Refund Due a Deceased Taxpayer* (Form MI-1310). Enter the names of the deceased persons in the Filer’s and Spouse’s Name fields and the representative’s or claimant’s name, title and address in the Home Address field. See “Deceased Taxpayer Chart of Examples” on page 43, examples D or E.

For information about filing a credit claim, see “Deceased Claimant’s Credit” on page 19.

Amended Returns

If you need to make a correction to your return, file an *Amended Michigan Individual Income Tax Return* (Form MI-1040X). If you are due a refund on your amended return, you must file it within four years of the due date of the original return.

If a change on your federal return affects Michigan taxable income, you must file an MI-1040X within 120 days of the

change. Include payment of any tax and interest due.

You can amend a homestead property tax credit claim by filing a revised claim form clearly marked “Amended.”

Net Operating Losses (NOL)

If you have a federal NOL deduction, you must add back the federal deduction on your MI-1040 *Schedule 1*, line 6, to the extent included in federal AGI. A subtraction for a Michigan net operating loss deduction may be claimed on Schedule 1, line 19, and is calculated on page 1 of *Application for Michigan Net Operating Loss Refund* (Form MI-1045). Compute your Michigan net operating loss and Michigan net operating loss deduction by completing the MI-1045. File an MI-1045 to claim a refund for a carryback deduction. Returns for tax years affected by carryforward deductions must have Form MI-1045 attached to substantiate the deduction.

Repayments of Income Reported in a Prior Year

If you had to repay an amount of money in 2006 which you claimed as income in a previous year (e.g., unemployment benefits), you may be entitled to a credit on your 2006 return for the tax paid in an earlier year.

If the subtraction of repayment was included in arriving at AGI, no additional credit is allowed on the Michigan return because your income for the year has been reduced by the repayment amount. If the amount of the repayment was deducted on U.S. *Schedule A* or a credit was claimed on U.S. 1040, line 70, a credit will be allowed on the Michigan return.

To compute your Michigan credit, multiply the amount you repaid in 2006 by the tax rate which was in effect the year you paid the tax. Then add the amount of the credit to the Michigan tax withheld on your MI-1040, line 38. Write “Claim of Right/Repayment” next to line 38.

Attach a schedule showing the computation of the Michigan credit, proof of the repayment and the portion of your federal return showing the deduction or credit claimed.

Summary of Income Tax Credits, Additions and Subtractions

Below is a summary of income tax credits, additions and subtractions available to taxpayers. Detailed information for each is provided on the page number indicated below.

CREDITS

The following credits may be claimed on your MI-1040. The line reference follows the credit listed below.

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Taxes paid to government units outside Michigan (23)	11
Historic Preservation Tax Credit (24)	12
College Tuition and Fees Credit (25)	12
Vehicle Donation Credit (26)	12

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Homestead Property Tax Credit (34)	12
Farmland Preservation Tax Credit (35)	12
Qualified Adoption expenses (36)	12
Stillbirth Credit (37)	12

The following credit is claimed on the MI-1040CR-7 Home Heating Credit Claim form.

Home Heating Credit See MI-1040CR-7 Instruction Book

ADDITIONS

The following additions are claimed on your MI-1040 Schedule 1; total additions are carried forward to the MI-1040, line 11. The Schedule 1 line reference follows the addition listed below.

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Gross interest, dividends and income from obligations or securities of states and their political subdivisions other than Michigan (1)	14
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Money withdrawn in the tax year from an MESP account if the withdrawal was not a qualified withdrawal as provided in the MESP Act (6)	14
Net operating loss deduction used to reduce AGI (6)	14
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SUBTRACTIONS

The following subtractions are claimed on your MI-1040 Schedule 1; total subtractions are carried forward to the MI-1040, line 13. The Schedule 1 line reference follows the subtraction listed below.

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Income from U.S. government obligations (Series EE Bonds, Treasury notes, etc.) (8)	14
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Salary and wage expense that cannot be deducted on your federal return because you are claiming a work opportunity credit, clinical testing (orphan drug) credit or research credit (19)	16
Losses from disposal of property (19)	16
Amount used to determine the credit for elderly or totally and permanently disabled (19)	16
Michigan net operating loss deduction (19)	16
Gross income included in AGI from Michigan gas and oil royalty interest or working interest (19)	16
Distributions from individual retirement accounts used to pay qualified higher education expenses (19)	16
Holocaust victim payments (19)	16
Distribution from a pension or retirement plan that is contributed to a qualifying charitable organization (19)	16

Use Tax

If you have paid the tax for your out-of-state purchases, check Box "a" on your 2006 MI-1040, line 32. If you are unsure, read the following.

Every state that has a sales tax has a companion tax for purchases made outside that state, by catalog or over the Internet. In Michigan, that companion tax is called the "use tax," but might be described more accurately as a remote sales tax because it is a 6 percent tax owed on purchases made outside of Michigan.

You owe tax on purchases for "storage, use or consumption in Michigan of tangible personal property" from companies that do not collect Michigan sales or use tax. This includes mail order and Internet purchases as well as purchases while traveling in foreign countries and other states. You do not have to pay Michigan use tax if:

- Michigan sales or use tax was paid to the seller, or
- The seller charged another state's sales tax (including local sales taxes) of at least 6 percent on purchases, or
- Purchases made outside Michigan in a calendar month did not exceed \$10. If total purchases for the month exceed \$10, then all purchases are subject to tax.

Use tax must be paid on the total price (including shipping and handling charges) of all taxable items purchased from out-of-state retailers who do not collect Michigan tax.

Examples of Taxable Items

Examples of purchases subject to use tax, only if you have not already paid a tax of at least 6 percent, include Internet, mail order or out-of-state catalog purchases and purchases made while traveling in another state and/or foreign country.

Note: No credit is given for tax paid on purchases made in a foreign country. Use tax is owed when the item is brought into Michigan.

Purchases From Out-of-State Businesses

An out-of-state business that does not have a store, warehouse or employees in Michigan does not have to register and collect Michigan use tax. However, many out-of-state businesses voluntarily collect use tax for their customers. Michigan tax must be itemized separately on the out-of-state seller's invoice.

How to Pay Use Tax

You may pay use tax on your MI-1040. Use Worksheet 1 to calculate your tax. Check the box on line 32 that applies to your situation and enter the amount of tax due, if any, on line 32.

Worksheet Calculation

Line 1: For purchases under \$1,000, if you know the amount, multiply your total purchases times 6 percent (.06) and enter the amount on Line 1, **or**

For purchases under \$1,000, if you have incomplete or inaccurate receipts to calculate your purchases, you may use Table 1 - Use Tax to estimate your taxes. (See the example.)

Line 1 should contain a number unless you made no purchases under \$1,000 subject to the use tax.

Line 2: In all cases, if a single purchase is \$1,000 or more, you must pay 6 percent use tax on those purchases.

Line 3: Total Use Tax due (total of Lines 1 and 2).

WORKSHEET 1 - USE TAX

Line 1: Itemized purchases under \$1,000 x 6 percent (.06) **OR**
Use Tax Table amount \$ _____

Line 2: Single purchases
\$1,000 or more x 6 percent (.06) \$ _____

Line 3: Total Use Tax Due (total of Lines 1 and 2) \$ _____

Enter amount from Line 3 above on your 2006 MI-1040, line 32, and check **box "b."**

Example: Kurt ordered a computer from a catalog retailer in New York for \$1,437.50. Kurt also purchased items over the Internet for less than \$1,000 during the year, but lost his receipts. He is sure he did not pay Michigan sales tax. Kurt's AGI is \$46,500. Kurt would complete Worksheet 1 as follows:

Line 1: Kurt selects \$23 from the table based on his AGI \$23.00

Line 2: Kurt enters
\$1,437.50 x 6 percent \$86.25

Line 3: Total use tax due \$109.25

Kurt would enter \$109 (no cents) on his 2006 MI-1040, line 32, and check **box "b."**

Using Table 1 - Use Tax to estimate your taxes does not preclude Treasury from auditing your account. If additional tax is due, you may receive an assessment for the amount of the tax owed, plus applicable penalty and interest.

For more information see our Web site at www.michigan.gov/treasury.

TABLE 1 - USE TAX
"Remote Sales"

<u>AGI*</u>	<u>Tax</u>
\$0-\$10,000	\$3
\$10,001-\$20,000	\$8
\$20,001-\$30,000	\$13
\$30,001-\$40,000	\$18
\$40,001-\$50,000	\$23
\$50,001-\$75,000	\$31
\$75,001-\$100,000	\$44
Above \$100,000	Multiply AGI by 0.05% (.0005)

* AGI from MI-1040, line 10

Point. Click. File.



Free e-file is
available--do
you qualify?

www.MIfastfile.org

Line-by-Line Instructions for Form MI-1040

Lines not listed are explained on the form.

Line 1: Only married filers may file joint returns. Include name and address unless you use the label supplied with your instruction booklet.

Lines 2 and 3: Write your Social Security number(s) here even if you use a label.

Line 5: State Campaign Fund. These funds are disbursed only to candidates for governor, regardless of political party, who agree to limit campaign spending and meet the campaign fund requirements. Choosing "Yes" will not raise your tax or reduce your refund.

Line 6: Only farmers, fishermen and seafarers should check this box. (For estimate filing information, see page 6.)

Line 7: Filing Status. Check the box to identify your filing status. If you file a joint federal return, you must file a joint Michigan return and you cannot be claimed as a dependent on another person's tax return. Married couples who file separate federal returns may file a separate or joint Michigan return. If you are claiming a homestead property tax credit or other tax credits, it may be easier to file a joint Michigan return because total (joint) household income is the basis for computing these credits. If your status is married filing separately (box c), write your spouse's full name in the space provided and be sure to write his or her Social Security number on line 3. If you filed your federal return as head of household or qualifying widow(er), you must file the Michigan return as single.

Line 8: Residency. Check the box that describes your Michigan residency for 2006. If you and your spouse had a different residency status during the year, check a box for each of you. Both part-year residents and nonresidents must file *Schedule NR*. (For definition of residency, see page 6.)

Line 9: Exemptions. Use this line to compute the exemption amount for your federal exemptions plus your Michigan special exemptions.

a) Enter the number of exemptions you claimed on your U.S. 1040 or 1040A, line 6d. These exemptions are for you, your spouse (if filing jointly) and your dependents.

Multiply the number of exemptions by your exemption allowance of \$3,300 and enter that amount in the box.

Special exemptions. Complete the lines that apply to you, your spouse or dependents as of December 31, 2006. If your dependent files an annual return, you and your dependent may not both claim the special exemption.

b) Age 65 or older. You are considered age 65 the day before your 65th birthday. If you claim this exemption, you may **not** claim an exemption as totally and permanently disabled.

c) Deaf, Blind or Disabled. You qualify for this exemption if you are deaf, blind, hemiplegic, paraplegic, quadriplegic or totally and permanently disabled. Deaf means the primary way you receive messages is through a sense other than hearing, for example, lip reading or sign language. Blind means your better eye permanently has 20/200 vision or less with corrective lenses, or your peripheral field of vision is 20 degrees or less. Totally and permanently disabled means disabled as defined under Social Security Guidelines 42 USC 416. If you are age 65 or older, you may **not** claim an exemption as totally and permanently disabled. You may claim only one exemption per person in this category.

d) Child 18 and Under. Enter \$600 for each child 18 and under as of December 31, 2006, whom you claim as a dependent.

e) Unemployment compensation. Check this box if 50 percent or more

of your combined AGI (MI-1040, line 10) is from unemployment compensation. If you checked the box, enter \$2,100 in the space provided.

f) If someone else can claim you as a dependent, check the box, complete Worksheet 2 below and enter the amount from the worksheet in the space provided.

Line 10: Adjusted Gross Income. Enter your AGI from your federal return. This is the amount from your U.S. 1040, line 37, or U.S. 1040A, line 21. You must attach copies of federal schedules that apply to you (see Table 2 on page 13). For Michigan adjustments to AGI, see Form MI-1040 *Schedule 1*, page 31. Instructions for completing *Schedule 1* begin on page 14.

Line 17: Tax. Multiply the amount on line 16 by 3.9 percent (.039). Enter here and on line 18.

Line 19: City Income Tax Credit. Everyone who pays Michigan income tax is allowed **partial** credit for income tax paid to Michigan cities. Use Worksheet 3 on page 11 to compute the credit.

19a: Enter your net city income tax paid in 2006 from Worksheet 3, line F.

19b: Enter your city income tax credit. Use Worksheet 3 to compute the credit.

Line 20: Public Contribution Credit. A **partial** income tax credit can be claimed for donations to a qualifying Michigan public institution. The credit is based on cash or the value of the item(s) donated. Values claimed must be supported by written appraisals, trade journals, etc., or by an itemized receipt.

WORKSHEET 2

FILER ELIGIBLE TO BE CLAIMED AS A DEPENDENT

Is your AGI (from your federal return) over \$1,500 if single or married filing separately?

☐ YES. If single or married filing separately, enter "0" on line 9a and \$1,500 on line 9f.

☐ NO. Then was Michigan income tax withheld from your wages?

- If YES. Enter "0" on lines 9g and 28, and complete line 10 and lines 29 through 42.
- If NO. You do not need to file this return.

Gifts qualify for credit if given to:

- Michigan colleges or universities and their fund-raising organizations
- The Michigan Colleges Foundation
- The State Art in Public Places Fund
- The Michigan Historical Museum
- Michigan public libraries
- Michigan public broadcasting stations
- A Michigan municipality, or a nonprofit corporation affiliated with a Michigan municipality, for an art institute in that municipality or to benefit the art institute (art institutes are those whose primary function is the displaying and teaching of visual arts)
- The State of Michigan for the preservation of state archives.

Artwork created by the taxpayer also qualifies for credit if given to:

- The State of Michigan for display in a public place
- A Michigan municipality for public display.

Artwork is an original visual creation of quality in any size or shape, in any media, using any materials. Its fair market value must be determined by an independent appraiser when donated.

20a: Enter the total amount of public contributions.

20b: Enter the credit which is the smaller of:

- 50 percent of the contribution reported on line 20a, or
- \$100 (\$200 for a joint return).

Line 21: Community Foundations Credit. A **partial** income tax credit can be claimed when you donate to an endowment fund of one of the certified community foundations or component funds listed on page 44. Enter the code number in the box on line 21. For individuals who contributed to more than one community foundation, enter the number of one foundation and attach a list indicating the others. You must enter a valid code to receive credit.

21a: Enter the total of all contributions.

21b: Enter the credit which is the smaller of:

- 50 percent of the contribution reported on line 21a, or
- \$100 (\$200 for a joint return).

Line 22: Homeless Shelter/Food Bank Credit. A **partial** income tax credit can be claimed when a **donation** is made by cash or check to a qualifying shelter for homeless persons, a food bank, a food kitchen or other entity whose **primary** purpose is to provide overnight accommodation, food or meals to indigent persons. Donations to organizations such as secondhand stores and churches that provide other services or shelter and food as a secondary purpose do **not** qualify for this credit.

Contributions qualifying for this credit must be all of the following:

- Cash or check;
- Made to organizations located in **Michigan** whose **primary** purpose is to provide food and/or shelter to indigent persons; **and**
- Deductible as a charitable contribution under the Internal Revenue Code (IRC).

22a: Enter the total cash contributions.

22b: Enter the credit which is the smaller of:

- 50 percent of the contribution reported on line 22a, or
- \$100 (\$200 for a joint return).

Note: Contributions designated for a “qualifying organization” (community foundation, homeless shelter or food bank) and made through United Way also qualify for this credit. If the credit is for a community foundation, be sure to enter the appropriate two-digit code number on your MI-1040 (see page 44).

Note: Treasury may request receipts for credits claimed on lines 20, 21 and 22. Cancelled checks will not be accepted in place of receipts.

Line 23: Credit for Income Tax Imposed by Government Units Outside Michigan. Include the amount of income tax paid to:

- A nonreciprocal state (see page 7)
- A local government unit outside Michigan, including tax paid to local units located in reciprocal states
- The District of Columbia
- A Canadian province.

Include only income tax paid to another government unit(s) on income earned while you were a Michigan resident and taxed by Michigan.

Attach a copy of the return filed with the other government unit(s) to your MI-1040.

Do **not** include taxes paid on income you subtracted on lines 8-19 of

WORKSHEET 3 - CITY INCOME TAX CREDIT			
To Determine Net City Income Tax			
Step 1	A. City income tax withheld from wages in 2006 (from your W-2, box 19, or Schedule W, Table 1, Column F) .....	+	.....<u>.00</u>
	B. Amount of tax paid with a Michigan city income tax return filed in 2006 (do not include penalty and interest) .....	+	.....<u>.00</u>
	C. Estimated city income tax payments paid in 2006 .....	+	.....<u>.00</u>
	D. <i>Subtotal.</i> Add lines A - C .....	=	.....<u>.00</u>
	E. City income tax refund(s) received in 2006 .....	-	.....<u>.00</u>
	F. Total Net City Income Tax Paid		
Subtract line E from line D. Carry to line 19a .....		=	.....<u>.00</u>
To Determine Your City Income Tax Credit			
If Your Total Net City Income Tax Paid (MI-1040, line 19a) is:			
	\$100 or less	\$101 through \$150	\$151 or more
Step 2	Net city income tax paid	Net city income tax paid	Net city income tax paid
	.....<u>.00</u>	.....<u>.00</u>	.....<u>.00</u>
	Multiply	Subtract	Subtract
	.....<u>.20</u>	.....<u>\$100.00</u>	.....<u>\$150.00</u>
	CREDIT. Carry to line 19b	<i>Subtotal</i>	<i>Subtotal</i>
	.....<u>.00</u>	.....<u>.00</u>	.....<u>.00</u>
		Multiply	Multiply
		.....<u>.10</u>	.....<u>.05</u>
		<i>Subtotal</i>	<i>Subtotal</i>
		.....<u>.00</u>	.....<u>.00</u>
	Add	Add	
	.....<u>20.00</u>	.....<u>25.00</u>	
	Round all amounts to the nearest dollar.		
	Credit cannot be more than \$10,000.00	CREDIT. Carry to line 19b	CREDIT. Carry to line 19b
		.....<u>.00</u>	.....<u>.00</u>

MI-1040 Schedule 1 (e.g., rental or business income from another state, part-year resident wages, etc.). If you claim credit for Canadian provincial tax, you must file a *Resident Credit for Tax Imposed by a Canadian Province* (Form 777). Attach copies of your *Canadian Federal Individual Tax Return* (Form T-1), Canadian Form T-4, *Foreign Tax Credit* (U.S. 1116) and U.S. 1040. Your credit is limited to the portion of your Canadian provincial tax not used as a credit on your U.S. 1040.

23a: Enter the total income tax paid to other government units. If you paid tax to more than one unit, attach a schedule showing the tax paid to each government unit.

23b: Credit amount. If more than one government unit is involved, compute the credit amount for each government unit separately. Then add the individual credit amounts and enter the total on line 23b. Compute your allowable credit as follows:

- Divide your non-Michigan income subject to tax by both states by your total income subject to Michigan tax (line 14 of MI-1040); then:
- Multiply the amount of tax shown on line 17 by the result.

Your credit cannot exceed the smaller of: (1) the amount of tax imposed by another government; or (2) the amount of Michigan tax due on salaries, wages and other personal compensation earned in another state. See Example.

Line 24: Michigan Historic Preservation Tax Credit. To claim this credit you must submit **all** of the supporting documentation. For a list of required forms see the instructions on the back of the 2006 *Historic Preservation Tax Credit* (Form 3581).

24a: Enter the amount from your 2006 Form 3581, line 11.

24b: Enter the amount from your 2006 Form 3581, line 12e.

Line 25: Enter the college tuition and fees credit from Schedule CT, line 4e.

Line 26: Vehicle Donation Credit. Taxpayers who donate automobiles to certain charities may claim a nonrefundable Michigan tax credit if

the automobile is transferred by the charity to an individual for employment purposes. Donors must receive a *Donor Tax Credit Certificate for Donated Vehicle* (Form 4284) from a certified charitable organization to be able to claim the credit. Treasury may request copies of Form 4284 for verification. Retain a copy of the form in your records.

Enter the code number in the box on line 26 using the codes listed below:

Vehicle Donation Codes

105 Goodwill Industries of Mid-Michigan, Inc.
202 Goodwill Wheels to Work
406 Goodwill Industries of Greater Detroit
601 Goodwill of Southwestern Michigan, Inc.
604 Carlink, Inc.
705 Goodwill Industries of Northern Michigan, Inc.
803 Goodwill Industries of West Michigan, Inc.
905 Goodwill Industries of Southeast Michigan, Inc.

26a: Enter Value of Donated Vehicle from Form 4284.

26b: Enter the smaller amount of 50 percent of line 26a or a maximum of \$50 for a single return or \$100 for joint return.

Line 29: Military Family Relief Fund. You may contribute to the Military Family Relief Fund by entering your contribution amount (\$1 minimum) here. This fund provides assistance to qualifying families of military members in either the Michigan National Guard who are serving in the U.S. Armed Forces or those reserve forces called to active duty by the federal government. Your contribution will increase your tax due or reduce your refund.

Line 30: Children's Trust Fund. Help Prevent Child Abuse! You may contribute to the Children's Trust Fund by entering your contribution amount (\$5 or more) here. These contributions are returned to local communities in the form of grants to volunteer child abuse prevention councils and competitive grants to direct services preventing child abuse in local areas. Programs and services funded by these monies include respite care, parent education, pregnancy/newborn support services, support groups, local family resource counsels, public education and outreach programs in your local community. Your contribution will increase your tax due or reduce your refund.

Line 31: Children of Veterans Tuition Grant Program. You can now voluntarily contribute to the Children of Veterans Tuition Grant Program by entering your contribution amount here (\$2 minimum). This fund will be a key source of funding for undergraduate tuition expenses at Michigan colleges and universities. Your contribution will increase your tax due or reduce your refund.

Line 32: Use Tax. Check the box that applies to you and enter the appropriate amount on line 32. See use tax information on page 9.

Line 34: Property tax credit information begins on page 17.

Line 35: Farmland preservation credit applies to farmers only. See page 18.

Line 36: Qualified Adoption Expenses. Enter the amount from your *Michigan Qualified Adoption Expenses* (Form MI-8839), line 10. Attach a completed *Qualified Adoption Expenses* (U.S. 8839) and a completed MI-8839.

Line 37: Stillbirth Credit. If you are the mother of a stillborn delivered during 2006 and have been issued a

EXAMPLE: Computing Michigan resident's credit for tax imposed by a government unit outside Michigan.

Michigan wage	\$18,000
Wages earned outside Michigan	12,000
U.S. Government bond interest	+ 1,000
Adjusted gross income (MI-1040, line 10)	31,000
U.S. Government bond interest	- 1,000
Total income subject to tax (MI-1040, line 14)	30,000
Percent of non-Michigan income to total (\$12,000/\$30,000)	40%
Taxpayer has 2 exemptions (2 x \$3,300)	6,600
Taxable Income (MI-1040, line 16)	23,400
Tax 3.9% (.039) (MI-1040, line 17)	913
Tax imposed by a government unit outside Michigan.	
Enter this amount on your MI-1040, line 23a	700
Credit limit is 40% of 913.	
Enter this amount on your MI-1040, line 23b	\$ 365

Certificate of Stillbirth from the Department of Community Health, attach a copy of the certificate to your MI-1040 and complete Worksheet 4 below.

If you do not have a certificate, contact the Department of Community Health at (517) 335-8666 for an application or information on obtaining the certificate. You should not file for the credit until you have the certificate. You can amend your 2006 return at a later date should you get the certificate after you file the original return.

Line 38: Enter the total **Michigan** tax withheld (from your Schedule W). If applicable, include any credit for repayments under the "Claim of Right." See "Repayments of Income Reported in a Prior Year" on page 7.

Line 39: Enter the total estimated tax paid with your 2006 Form MI-1040ES, the amount paid with a Form 4 and the amount of your 2005 overpayment applied to this year's tax (2005 MI-1040, line 41).

Line 41: Tax Due. If line 40 is less than line 33, enter the difference. This is the tax you owe with your return.

You will owe penalty and interest for late payment of tax. Penalty accrues monthly at 5 percent of the tax due, and increases by an additional 5 percent per month, or fraction thereof, after the second month, up to a maximum of 25 percent of the tax due (e.g. penalty on a \$500 tax due will be \$125 if the tax is unpaid for 6 months). See "Penalty and Interest Added for Filing and Paying Late" on page 4. Add penalty and interest to your tax due and enter the total on line 41. If you owe more than \$500 and are required to make estimated payments, see **special note** below. If the balance due is less than \$1, no payment is required, but you must still file your return. See "Pay" address on page 2 of your MI-1040 form.

Special note for people required to file estimates. You may owe penalty and interest for underpayment, late payment or for failing to make estimated tax payments. Use the *Underpayment of Estimated Income Tax MI-2210*, to compute penalty and interest. If you do not file an MI-2210,

Richard and Cindy Jones
123 Main Street
Anytown, MI 49111

1800

Date: _____

\$ _____

_____ Dollars

SAMPLE

ANYTOWN BANK
Anytown, MI 49111

Routing Number | Account Number

|: 270000065 |: 3000000915 " • 01800

Do not include check number

Treasury will compute your penalty and interest and send you a bill. If you annualize your income, you must complete and attach an MI-2210. Enter the penalty and interest amounts on the lines provided.

Line 44: Your Refund. This includes any tax you overpaid and any credits due you. The State does not refund amounts less than \$1. Mail your return to the "Refund, Credit or Zero Returns" address on page 2 of your MI-1040 form.

Direct Deposit

First check with your financial institution to:

- Ensure it will accept direct deposit;
- Obtain the correct Routing Number and Account Number; and

- If applicable, verify that it will allow a joint refund to be deposited into an individual account.

If we are unable to honor your request for direct deposit, we will send you a check.

a. Routing Number (RTN). Enter the nine-digit RTN. The RTN is usually found between the symbols |: and |: on the bottom of your check (see check sample above). The first two digits must be 01 through 12 or 21 through 32.

b. Account Type. Check the box for checking or savings.

c. Account Number. Enter your bank account number up to 17 characters (both numbers and letters). The account number is usually found immediately to the right of the RTN on the bottom of your check (see check sample above). Include hyphens but

WORKSHEET 4 - STILLBIRTH CREDIT

- A. Enter number of Certificates of Stillbirth for 2006 (see line 37 instructions on page 12 for qualifications) _____
- B. Multiply line A by \$150. Enter here and carry amount to your MI-1040, line 37 _____

TABLE 2 - FEDERAL SCHEDULES

Taxpayers who file any of the following schedules or forms with their federal return must attach a copy to their Michigan income tax return:

Schedule B or 1040A Schedule 1	Interest and Dividend Income (if over \$5,000)
Schedule C or C-EZ	Profit or Loss From Business
Schedules D and 4797	Capital and Ordinary Gains and Losses
Schedule E	Supplemental Income and Loss
Schedule F	Farm Income and Expenses
Schedule R or 1040A Schedule 3	Credit for the Elderly or Disabled
Form 1040NR	Nonresident Alien Income Tax Return
Form 2555	Foreign Earned Income
Form 3903 or 3903-F	Moving Expenses
Form 4868	Application for Automatic Extension of Time to File U.S. Individual Income Tax Returns
Form 6198	Computation of Deductible Loss From Activity Described in IRC Section 465(c)
Form 8829	Expenses for Business Use of Your Home
Form 8839	Qualified Adoption Expenses

The above schedules and forms must report the location of the business activity or the location of any real property involved. Schedules showing rental of personal property must report where the property is being used. If you do not attach these schedules, processing of your return may be delayed or your credit/subtraction may be denied.

omit spaces and special symbols. Enter the number from left to right and leave unused boxes blank. Do not include the check number.

When You Are Finished

Sign Your Return. Each spouse must sign a joint return. If the preparer is someone other than the taxpayer, he or she must include the name and address of the firm he or she represents and

preparer tax identification or federal employer identification number. Check the box to indicate if Treasury may discuss your return with your preparer.

Signing a child's return. If a return is prepared for a child who is too young to sign it, a parent or guardian should sign the child's name, then add "by (your name) parent (or guardian) for minor child."

Attachments. Attach all your credit claims and required Michigan and federal schedules (see Table 2, p. 13).

If you owe tax. Enclose your payment but do not staple it to the return. Checks stapled to the back of the return may not be seen and may result in improper processing.

The **filing deadline to receive a refund** for tax year 2006 is April 15, 2011.

Line-by-Line Instructions for MI-1040 Schedule 1

Part-year and nonresidents, complete Schedule NR (see page 39) before proceeding.

Additions to Income

Line 1: Enter gross interest, dividends and income from obligations or securities of states and their political subdivisions other than Michigan. Add this income even if it comes to you through a partnership, S corporation, estate or trust. You may reduce this income by related expenses not allowed as a deduction by Section 265(a)(1) of the IRC.

Line 2: Enter the deduction taken for **self-employment tax** on your federal return and for other taxes on or measured by income, such as your share of city income tax paid by partnerships or S corporations, or your share of the taxes paid by an estate or trust.

Line 3: Use *Michigan Adjustments of Gains and Losses* (Form **MI-1040D**) **only** if you have capital gains or losses attributable to: (1) an election to use Section 271 treatment for property acquired before October 1, 1967; (2) the sale or exchange of U.S. obligations which cannot be taxed by Michigan; or (3) the sale or exchange of property located in other states.

If you reported gains on U.S. 4797 on property acquired before October 1, 1967, or located in other states, adjust the gain on the *Michigan Adjustments of Gains and Losses from Sales of Business Property* (Form MI-4797).

Enter gains from the Michigan column of your MI-1040D, line 14, and

MI-4797, line 18b(2). Instructions are with each form.

Line 4: Enter losses from a business or property located in another state which you own as a sole proprietor, a partner in a partnership, a shareholder in an S corporation or as a member of a pass-through entity. If your business is taxed by both Michigan and another state, the loss must be apportioned. Attach a *Schedule of Apportionment* (Form MI-1040H).

Line 5: Enter the net loss from the federal column of your Michigan MI-1040D, line 15, or MI-4797, line 18b(1).

Line 6: Enter the total of the following (attach a schedule if necessary):

- Add to the extent not included in AGI the amount of money withdrawn in the tax year from a Michigan Education Savings Program (MESP) account if the withdrawal was not a qualified withdrawal as provided in the MESP Act. You may first exclude any amount that represents a return of contributions for which no deduction was claimed in any prior tax year.
- Amount of NOL deduction (NOL carryforward) used to reduce AGI (see page 7).
- Refund received from a Michigan Education Trust (MET) contract. If you deducted the cost of a MET contract in previous years and received a refund from MET during 2006 because the MET contract was terminated, then enter the smaller of: (1) the refund you received **or** (2) the amount of the original MET contract price (including

the application and processing fees) which you deducted in previous years.

If you financed your MET contract with a MET-secured loan, deducted the cost of that contract and then defaulted on the loan, enter the amount paid in 2006 by MET to repay the portion of your defaulted loan.

Subtractions From Income

Note: Part-year and nonresidents subtract only income attributable to Michigan (column B of *Schedule NR*) on all lines except line 11.

Line 8: Enter income from U.S. government obligations (e.g., Series EE bonds, Treasury notes, etc.), including income from U.S. government obligations received through a partnership, S corporation or other pass-through entity. This subtraction must be reduced by related expenses used to arrive at AGI.

Investment companies that invest in U.S. obligations are permitted to pass the tax-free exemption to their shareholders.

If income from U.S. government obligations exceeds \$5,000, attach a copy of your U.S. *Schedule B* or *Schedule I* listing the amounts received and the issuing agency.

Capital gains from the sale of U.S. government obligations must be adjusted on Michigan Form MI-1040D.

Line 9: Enter compensation received for active duty in the U.S. Armed Forces included in AGI. Include military retirement on line 12.

Note: Compensation from the U.S. Public Health Service is **not** considered military pay.

Line 10: Enter the gains from the federal column of your Michigan Forms MI-1040D, line 14, and MI-4797, line 18b(2). See instructions for *MI-1040 Schedule 1*, line 3.

Line 11: Income Attributable to Another State. Nonresidents and part-year residents, complete Schedule NR. See instructions on page 40. Attach federal schedules.

Business income that is taxed by Michigan and another state must be apportioned. Complete and attach Form MI-1040H.

Capital gains from the sale of real property or tangible personal property located outside of Michigan must be adjusted on Michigan Form MI-1040D.

Michigan residents cannot subtract salaries and wages or other compensation earned outside Michigan. However, they may be entitled to a tax credit for tax imposed by governmental units outside Michigan (see pages 11-12).

Residents may subtract:

- Business income earned in other states and included in AGI, and
- Net rents and royalties from real property or tangible personal property located or used in another state.

Line 12: Qualifying retirement and pension benefits included in your AGI may be subtracted from income. The amount you may subtract depends on the source of the benefit. Qualifying benefits include:

- Pension plans that define eligibility for retirement and set contribution and benefit amounts in advance
- Qualified retirement plans for the self-employed
- Distributions from a 401(k) or 403(b) plan attributable to employer contributions or attributable to employee contributions to the extent they result in matching contributions by the employer
- IRA distributions received after age 59½ or described by Section 72(t)(2)(A)(iv) of the IRC (series of equal periodic payments made for life)
- Benefits from any of the previous plans received due to a disability, or as a surviving spouse if the decedent

qualified for the subtraction at the time of death

- Benefits paid to a senior citizen (age 65 or older) from a retirement annuity policy that are paid for life (as opposed to a specified number of years).

You may subtract **all** pension benefits included in AGI and received from the following public sources:

- The State of Michigan
- Michigan local governmental units (e.g., Michigan counties, cities and school districts)
- Tier 2 railroad retirement
- Federal civil service
- Military retirement from the U.S. Armed Forces.

If all retirement and pension benefits were received from public sources, enter the total of all benefits on line 12.

If all retirement and pension benefits were received from private sources, enter the smaller of:

- The total of all private pensions included in AGI, or
- \$40,920 if you are a single filer, \$81,840 if you are married and filing jointly.

If you received a combination of public and private retirement and pension benefits, follow these steps to compute your deduction:

Step 1: Add all public retirement benefits included in AGI.

Note: If your public retirement benefits are greater than the maximum amounts (\$40,920 single filer or \$81,840 married filing jointly) you are not entitled to claim a subtraction for private pensions.

Step 2: If you are a single filer, deduct the amount in step 1 from \$40,920. If you are married filing jointly, deduct the amount in step 1 from \$81,840.

Step 3: Add all private pensions included in AGI.

Step 4: Determine which is smaller, the amount computed in step 2 or the amount computed in step 3.

Step 5: Add the amount computed in step 1 to the amount determined in step 4 and enter the total on line 12. See Example A on the back of *Schedule 1* on page 32.

You may not subtract:

- Amounts received from a deferred compensation plan that lets the employee set the amount to be put aside and does not set retirement age or requirements for years of service. These plans include, but are not limited to, plans under Sections 401(k), 457 and 403(b) of the IRC.
- Amounts received before the recipient could retire under the plan provisions, including amounts paid on separation, withdrawal or discontinuance of the plan.
- Amounts received as early retirement incentives, unless the incentives were paid from a pension trust.

Line 13: Senior citizens (age 65 or older) may subtract interest, dividends and capital gains included in AGI. This subtraction is limited to a maximum of \$9,128 on a single return or \$18,255 on a joint return. However, the maximum must be reduced by the retirement pension subtraction claimed on line 12. See Example B on the back of *Schedule 1* on page 32.

Line 14: Enter only the taxable portion of Social Security and Tier 1 railroad benefits included on your U.S. 1040, line 20b, or your U.S. 1040A, line 14b. Do not include your total Social Security benefits.

Line 15: Renaissance zone deduction. To be eligible you must meet all the following requirements:

- Be a permanent resident of a renaissance zone for at least 183 consecutive days.
- Be approved at your local level.
- Must not be delinquent for any State or local taxes abated by the Renaissance Zone Act.
- Must file an MI-1040 each year.
- Have gross income of not more than \$1 million.

If you were a full-year resident of a renaissance zone, you may subtract all income earned or received. Unearned income such as capital gains may have to be prorated. If you lived in the zone at least 183 consecutive days during 2006, you may subtract the portion of

income earned while a resident of the zone. If you are a part-year resident of a zone, you must complete and attach a *Schedule NR* to your MI-1040. (See “Special Note” on the back of *Schedule NR*, page 40.)

Beginning in 2006, certain Renaissance Zones will begin to phase out and the tax exemption will be phased out at 25 percent increments during the zone’s final three years of existence. If you are a resident of a zone that is phasing out (check with your local unit of government), you must reduce your credit as follows:

- 25 percent for the tax year that is two years before the final year of designation as a renaissance zone
- 50 percent for the tax year immediately preceding the final year of the designation as a renaissance zone
- 75 percent for the tax year that is the final year of the designation as a renaissance zone.

For additional information regarding qualifications for the renaissance zone deduction, call the Michigan Economic Development Corporation at (517) 373-9808.

You may also call the Michigan Tele-Help System (1-800-827-4000) and listen to topic #293.

Line 16: You may subtract Michigan state and city income tax refunds and homestead property tax credit refunds that were included in AGI.

Note to farmers: You may subtract (to the extent included in AGI) the amount that your State or city income tax refund and homestead property tax credit exceeds the business portion of your homestead property tax credit.

Line 17: Michigan Education Savings Program. You may deduct, to the extent not deducted in calculating AGI, the total of all contributions less qualified withdrawals made during 2006 by the taxpayer in the tax year to accounts established through the MESP. The deduction may not exceed \$5,000 for a single return or \$10,000 for a joint return per tax year. There are numerous education savings accounts available from other states and investment companies, but Michigan

only allows a tax deduction for contributions to accounts established through MESP.

Line 18: Michigan Education Trust. You may deduct the following:

- If you purchased a MET contract during 2006, you may deduct the total contract price (including the processing fee).
- If you purchased a MET payroll deduction or monthly purchase contract, you may deduct the amount paid on that contract during 2006 (not including fees for late payments or insufficient funds). You should receive an annual statement from MET specifying this amount.
- If you purchased a MET contract between 1988 and 1990 with a MET-secured loan and have not deducted the total contract price, you may deduct the principal amount paid on the secured loan during 2006.
- The amount included in AGI as income to the purchaser because the MET contract was terminated.

Line 19: Miscellaneous subtractions include:

- Any part of a qualified withdrawal from an MESP account included in AGI.
- Contributions to national or Michigan political parties or candidates. The maximum deduction is \$50 on a single return and \$100 on a joint return.
- Benefits from a discriminatory self-insured medical expense reimbursement plan, to the extent these reimbursements are included in AGI.
- Proceeds and prizes included in AGI won in State of Michigan regulated bingo, raffle or charity games.
- Amount of salary and wage expense that cannot be deducted on your federal return because you are claiming a work opportunity credit, clinical testing (orphan drug) credit or research credit. Attach a copy of U.S. *Work Opportunity Credit* (Form 5884), *Credit for Increasing Research Activities* (Form 6765) or *Orphan Drug Credit* (Form 8820) to substantiate this subtraction.
- Losses from the disposal of property reported in the Michigan column of

Michigan Form MI-1040D, line 15 or Form MI-4797, line 18b(1).

- Amount used to determine the credit for elderly or totally and permanently disabled from U.S. *1040 Schedule R*, line 19, or U.S. *1040A Schedule 3*, line 19.
- Michigan NOL deduction. Attach Form MI-1045. See page 7.
- Gross income included in AGI from Michigan gas and oil royalty interest or working interest.
- The amount of a distribution from individual retirement accounts that qualify under section 408 of the IRC if the distribution is used to pay qualified higher education expenses (tuition, books, fees, etc.) at a postsecondary educational institution.
- Holocaust victim payments.
- To the extent included in AGI, a distribution from a pension or retirement plan that is contributed to a qualifying charitable organization. To qualify, you must make the payment to the charity within 60 days of receiving the distribution, and reduce the amount of the contribution by any pension subtraction taken and two times the total amount of credits claimed for a public contribution credit, homeless shelter/food bank credit and the community foundation credit.

You may not subtract:

- Itemized deductions from U.S. *Schedule A*.
- Sick pay, disability benefits and wage continuation benefits paid to you by your employer or by an insurance company under contract with your employer.
- Unemployment benefits included in AGI, except railroad unemployment benefits.
- Distributions from a deferred compensation plan received while a resident of Michigan.
- Lottery winnings. (Exception: installment payments from prizes won on or before December 30, 1988, may be subtracted.)

Note: Include your installment gross winnings as reported on your Form W-2G, box 1, and show on your Schedule W, Table 1, in the appropriate box.

General Information - Homestead Property Tax Credit (MI-1040CR)

The request for your Social Security number is authorized under USC Section 42. Social Security numbers are used by Treasury to conduct matches against benefit income provided by the Social Security Administration and other sources to verify the accuracy of the home heating credit and property tax credit claims filed and to deter fraudulent filing(s).

Who May Claim a Property Tax Credit

You may claim a property tax credit if all of the following apply:

- Your homestead is located in Michigan.
- You were a Michigan resident at least six months of 2006.
- You pay property taxes or rent on your Michigan homestead.

You can have only one **homestead** at a time, and you must be the occupant as well as the owner or renter. Your homestead can be a rented apartment or a mobile home on a lot in a mobile home park. A vacation home or income property is **not** considered your homestead.

Your homestead is in your state of **domicile**. Domicile is the place where you have your permanent home. It is the place you plan to return to whenever you go away. Even if you spend the winter in a southern state, your domicile is still Michigan. College students and others whose permanent homes are not in Michigan are **not** Michigan residents. Domicile continues until you establish a new permanent home.

Property tax credit claims may **not** be submitted on behalf of minor children.

You may not claim a property tax credit if your household income is over \$82,650. The computed credit is reduced by 10 percent for every \$1,000 (or part of \$1,000) that household income exceeds \$73,650. If filing a part-year return, you must annualize household income to determine if the

income limitation applies. See instructions for annualizing on page 22.

Which Form to File

Most filers should use Form MI-1040CR in this book.

If you are blind and own your homestead, are in the active military, are an eligible veteran or an eligible veteran's surviving spouse, request Form MI-1040CR-2 and complete an MI-1040CR and an MI-1040CR-2. **Use the form that gives you a larger credit.** If you are blind and rent your homestead, you cannot use the MI-1040CR-2. Claim your credit on Form MI-1040CR and check the appropriate box on line 5.

When to File

If you are not required to file a Form MI-1040, you may file your credit claim as soon as you know your 2006 household income and property taxes levied in 2006. If you file a Michigan income tax return, your credit claim should be attached to your MI-1040 return and filed by April 17, 2007, to be considered timely. To avoid penalty and interest, if you owe tax, postmark no later than April 17, 2007. The filing deadline to receive a 2006 property tax credit is April 15, 2011.

Amending Your Credit Claim

File a new claim form and write "Amended" across the top of the form. You must do this within four years of the date set for filing your original income tax return.

Delaying Payment of Your Property Taxes

Senior citizens, disabled people, veterans, surviving spouses of veterans and farmers may be able to delay paying property taxes. Contact your local or county treasurer for more information.

Household Income

Household income is the total income (taxable and nontaxable) of both spouses or of a single person

maintaining a household. It is your AGI, plus all income exempt or excluded from AGI. Include gains realized on the sale of your residence regardless of your age or whether or not these gains are exempt from federal income tax. (See instructions beginning on page 20.)

Household income does NOT include:

- Payments received by participants in the foster grandparent or senior companion program
- Energy assistance grants
- Government payments to a third party (e.g., a doctor)

Note: If payment is made from money withheld from your benefit, the payment is part of household income. (For example, the DHS may pay your rent directly to the landlord.)

- Money received from a government unit to repair or improve your homestead
- Surplus food or food stamps
- State and city income tax refunds and homestead property tax credits
- Chore service payments (these payments are income to the provider of the service)
- The first \$300 from gambling, bingo, lottery, awards or prizes
- The first \$300 in gifts, cash or expenses paid on your behalf by a family member or friend
- Amounts deducted from Social Security or Railroad Retirement benefits for Medicare premiums
- Life, health and accident insurance premiums paid by your employer. However, if you pay medical insurance or Health Maintenance Organization (HMO) premiums for you or your family, you may deduct the cost from household income.
- Loan proceeds
- Inheritance **from a spouse**
- Life insurance benefits **from a spouse**.

Property Taxes That Can Be Claimed for Credit

Ad valorem property taxes that were levied on your homestead in 2006, including collection fees up to 1 percent of the taxes, can be claimed no matter when you pay them. You must **deduct** from your 2006 property taxes any refund of property taxes received in 2006 that was a result of a corrected tax bill from a previous year.

Do not include:

- Delinquent property taxes (e.g., 2005 property taxes paid in 2006)
- Penalty and interest on late payments of property tax
- Delinquent water or sewer bills
- Property taxes on cottages or second homes
- Association dues on your property
- Most special assessments for drains, sewers and roads do not meet specific tests and may not be included. You may include special assessments only if they are levied using a uniform millage rate, are based on taxable value and are either levied in the entire taxing jurisdiction or they are used to provide police, fire or advanced life support services and are levied township-wide, except for all or a portion of a village.

Home used for business. If you use part of your home for business, you may claim the property taxes on the living area of your homestead, but **not** the property taxes on the portion used for business.

Note: School operating taxes are only levied on the non-homestead portion of the property and may not be included in taxes levied when computing the property tax credit.

Owner-occupied duplexes. When both units are equal, you are limited to 50 percent of the tax on both units, after subtracting the school operating taxes from the total taxes billed.

Owner-occupied income property. Apartment building and duplex owners who live in one of the units or single family homeowners who rent a room(s) to a tenant(s) must do two calculations to figure the tax they can claim and base their credit on the **lower** amount.

First, subtract 20 percent of the rent collected from the tax claimed for credit. Second, reduce the tax claimed for credit by the amount of tax claimed as rental expense on your U.S. 1040.

For example, your home has an upstairs apartment that is rented to a tenant for \$395 a month. Total property taxes on your home are \$2,150. Of this amount, \$948 is claimed as rental expense. The calculations are as follows:

Step 1:

$\$395 \times 12 = \$4,740$ annual rent

$\$4,740 \times .20 = \948 taxes attributable to the apartment

$\$2,150$ eligible taxes - $\$948 = \$1,202$ taxes attributable to owner's homestead

Step 2:

$\$2,150$ total taxes - $\$858$ taxes claimed as a business deduction = $\$1,292$ taxes attributable to homestead

The owner's taxes that can be claimed for credit are \$1,202, the smaller of the two computations.

Farmers. Include farmland taxes in your property tax credit claim if any of the following conditions apply:

- If your gross receipts from farming are greater than your household income, you may claim all of your farmland taxes including taxes on unoccupied farmland. Do **not** include taxes on farmland that is not adjacent or contiguous to your home and that you rent or lease to another person.
- If gross receipts from farming are less than your household income and you have lived in your home **more** than 10 years, you may claim the taxes on your home and the farmland adjacent and contiguous to your home.
- If gross receipts from farming are less than your household income and you have lived in your home **less** than 10 years, you may claim the taxes on your home and five acres of farmland adjacent and contiguous to your home. You may **not** claim **rent paid** for vacant farmland when computing your property tax credit claim.

Include any farmland preservation tax credit in your household income. Enter the amount of credit you received in 2006 on line 17 or include it in net farm income on line 15.

Homestead property tax credits are **not** included in household income. If you included this amount in your taxable farm income, subtract it from household income.

Rent That Can Be Claimed for Credit

You must be under a lease or rental contract to claim rent for credit. In most cases, 20 percent of rent paid is considered property tax that can be claimed for credit. The following are exceptions:

- If you live in housing on which **service fees** are paid instead of taxes, 10 percent of your rent can be claimed for credit. If the landlord says your tax share is less than 10 percent, use the amount the landlord gives you.
- If your housing is **exempt** from property tax and no service fee is paid, you are **not** eligible for credit. This includes university- or college-owned housing.
- If your **housing costs are subsidized**, base your claim on the amount **you** pay. Do not include the federal subsidy amount.
- If you are a **mobile home park resident**, claim the \$3 per month specific tax on line 7, and the balance of rent paid on line 8.
- If you are a **cooperative housing corporation resident member**, claim your share of the property taxes on the building. If you live in a cooperative where residents pay rent on the land under the building, you may also claim 20 percent of that land rent. (Do **not** take 20 percent of your total monthly payment.)

• When you pay **room and board in one fee**, you must also determine your tax that can be claimed for credit based on square footage. For example, you pay \$750 a month for room and board. You occupy 600 square feet of a 62,000 square foot apartment building. The landlord pays \$54,000 in taxes per year.

Step 1: $600/62,000 = .0097$

Step 2: $\$54,000 \times .0097 = \524 taxes you can claim for credit.

If You Moved in 2006

Residents who temporarily lived outside Michigan may qualify for a credit if Michigan remained their state of domicile. Personal belongings and furnishings must have remained in the Michigan homestead **and** the homestead must **not** have been rented or sublet during the temporary absence. (See the definitions of resident on page 6 and domicile on page 17.)

If you bought or sold your home, you must prorate your taxes. Complete Form MI-1040CR, lines 36-42, to determine the taxes that can be claimed for credit. Use only the taxes levied in 2006 on each Michigan homestead, then prorate taxes based on days of occupancy. Do **not** include taxes on out-of-state property.

Part-Year Residents

If you lived in Michigan at least six months during the year, you may be entitled to a partial credit. If you are a part-year resident, you must include all income received as a Michigan resident in household income (line 28). Complete Form MI-1040CR, lines 36-42, to determine the taxes eligible to be claimed for credit on your Michigan homestead.

Residents of Nursing Homes and Other Adult Care Homes

If you are a resident of a nursing home, adult foster care home or home for the aged, that facility is considered your homestead. If the facility pays local property taxes (many do not), you may claim your portion of those taxes for credit. You may **not** claim rent. Ask the manager what your share is or, to determine it yourself, divide the amount of property tax levied on the facility in 2006 by the number of residents for which the facility is licensed. This is your share. If both you and your spouse live in the facility, add your shares together. If you lived in the facility only part of the year, multiply this amount by the portion of the year you lived at the facility.

Exception: Credit is not allowed if your facility care charges are paid

directly to the facility by a government agency.

If you maintain a homestead and your spouse lives in an adult care home, you may file a joint credit claim. Combine the tax for your homestead and your spouse's share of the facility's property tax to compute your claim.

If you are single and maintain a homestead (that is **not** rented) while living in an adult care home, you may claim either your homestead or your share of the facility's property tax, but not both. Use the one that gives you the larger credit.

Deceased Claimant's Credit

The estate of a taxpayer who died in 2006 (or 2007 before filing a claim) may be entitled to a credit for 2006. The surviving spouse, other authorized claimant or personal representative can claim this credit. Use the deceased's Social Security number and the personal representative's address. If taxpayer died after December 31, 2005, enter the date of death in the "Deceased Taxpayers" box on the bottom of page 2.

The **surviving spouse** may file a joint claim with the deceased. Enter both names and Social Security numbers on the form, and write "DECD" after the deceased's name. Sign the return and write "filing as surviving spouse" in the deceased's signature block. Enter the date of death in the "Deceased Taxpayers" box on the bottom of page 2. Include the deceased's income in household income.

If filing as a **personal representative** or **claimant** to the refund of a single deceased taxpayer(s), you must attach a *Statement of Person Claiming Refund Due a Deceased Taxpayer* (U.S. 1310) or *Michigan Claim for Refund Due a Deceased Taxpayer* (Form MI-1310). Enter the deceased's name in the Filer's Name field and the representative's or claimant's name and title in the Spouse's Name field. See the "Deceased Taxpayer Chart of Examples" on page 43. A **claimant** must prorate to the date of death as noted in the following paragraph.

The **personal representative** or **claimant** claiming a credit for a single

deceased person or on a jointly filed credit if both filers became deceased during the 2006 tax year, must prorate taxes to the date of death. Complete lines 38-42 to prorate the property taxes. Annualize household income. (See the instructions for line 29 and 34 on page 22.) Attach a copy of the tax bills or rent receipts. If filing as a **personal representative** or **claimant** of a deceased taxpayer(s) for a **jointly** filed return, you must attach a U.S. 1310 Form or Form MI-1310. Enter the names of the deceased persons in the Filer's and Spouse's Name fields and the representative's or claimant's name, title and address in the Home Address field. See "Deceased Taxpayer Chart of Examples" on page 43.

If you are a personal representative or claimant filing a joint return, see "Deceased Taxpayers" on page 7.

Married During 2006

If you married during 2006, combine each spouse's share of taxes or rent for the period of time he or she lived in separate homesteads. Then add the prorated share of taxes or rent for the time you lived together in your marital home. This only applies to homes located in Michigan.

Married Filing Separately

Spouses who file separate Michigan income tax returns and share a household are entitled to **one** property tax credit. Complete your property tax credit claim jointly and include income from both spouses in household income. Divide the credit as you wish. If each spouse claims a portion of the credit, attach a copy of the claim showing each spouse's share of the credit to each income tax return. Enter only your portion of the credit on Form MI-1040, line 34.

Separated and Filing a Joint Return With Your Spouse

Your claim must be based on the tax or rent for 12 months on only one home. The household income must be the combined income of both you and your spouse for the entire year.

Filing Separate Federal and State Returns and Maintaining Separate Homesteads

You may each claim a credit. Each credit is based on the individual taxes or rent and individual income for each person.

Separated or Divorced in 2006

Figure your credit based on the taxes you paid together before your separation plus the taxes you paid individually after your separation. Attach a schedule showing your computation.

For example, Bob and Susan separated on October 2, 2006. The annual taxes on the home they owned were \$1,860. Susan continued to live in the home and Bob moved to an apartment on October 2 and paid \$350 per month rent for the rest of the year. Susan earned \$20,000 and Bob earned \$25,000. They lived together for 274 days.

Step 1: Calculate the prorated income for each spouse for the 274 days they lived together. Divide each spouse's total income by 365 days then multiply that figure by 274.

Susan $(\$20,000/365) \times 274 = \$15,014$
Bob $(\$25,000/365) \times 274 = \$18,767$

Step 2: Add both prorated incomes together to determine the total income for the time they lived together.

$\$15,014 + \$18,767 = \$33,781$

Step 3: Divide each individual's prorated share of income by the total income from Step 2 to determine the percentage of income attributable to each.

Susan $\$15,014/\$33,781 = 44\%$

Bob $\$18,767/\$33,781 = 56\%$

Step 4: Calculate the prorated taxes eligible for credit for the time they lived together. Divide the \$1,860 by 365 days, then multiply by 274 days.

$(\$1,860/365) \times 274 = \$1,396$

Step 5: Calculate each individual's share of the prorated taxes. Multiply the \$1,396 by the percentages determined in Step 3.

Susan $\$1,396 \times 44\% = \614

Bob $\$1,396 \times 56\% = \782

Enter these amounts on your MI-1040CR, line 41, column A.

Susan uses lines 38-41, column B, to compute her share of taxes for the remaining 91 days.

Bob uses lines 43-44 to compute his share of rent. Each completes the remaining lines of the MI-1040CR according to the form instructions.

Single Adults Sharing a Home

When two or more single adults share a home, each may file a credit claim if each has contracted to pay rent or owns a share of the home. Each adult should file an individual claim based on his or her household income and prorated share of taxes or rent paid.

Line-by-Line Instructions for Form MI-1040CR

Lines not listed are explained on the form.

Lines 1, 2 and 3: Enter your name(s), address and Social Security number(s). If you are married, filing separate claims, enter both Social Security numbers, but do **not** enter your spouse's name.

Line 5: Check the box(es) that applies to you or your spouse as of December 31, 2006:

a) Age 65 or older.

Unremarried surviving spouse of a person who was 65 or older at the time of death. You are considered 65 the day before your 65th birthday.

b) Deaf, blind (see page 10, 9c instructions), hemiplegic, paraplegic, quadriplegic or totally and permanently disabled (as defined under Social Security Guidelines 42 USC 416).

Property Tax and Household Income

Include all taxable and nontaxable income you and your spouse received

in 2006. If your family lived in Michigan and one spouse earned wages outside Michigan, include the income earned out of state in your household income. (See "Household Income" on page 17 and "Property Taxes That Can Be Claimed for Credit" on page 18.)

Line 6: If you own your homestead, enter the 2006 taxable value from your 2006 property tax statement or assessment notice. If you do not know your taxable value, ask your local treasurer. Farmers should include the taxable value on all land that qualifies for this credit.

Line 7: Read "Property Taxes That Can Be Claimed for Credit" on page 18 before you complete this line.

Line 11: Enter all compensation received as an employee. Include strike pay, supplemental unemployment benefits (SUB pay), sick pay or long-term disability benefits, including income protection insurance and any

other amounts reported to you on Form W-2.

Line 13: Enter the total of the amounts from your U.S. *Schedule C* (business income or loss), U.S. 4797 (other gain or loss) and U.S. *Schedule E* (rents, royalties, partnerships, S corporations, estates and trusts). Include amounts from sources outside Michigan. **Attach these schedules to your claim.**

Line 14: Enter all annuity, retirement pension and IRA benefits and the name of the payer. This should be the taxable amount shown on your U.S. 1099-R. If no taxable amount is shown on your U.S. 1099-R, use the amount required to be included in AGI. Enter zero if all of your distribution is from your contributions made with income previously included in AGI. Include reimbursement payments such as an increase in a pension to pay for Medicare charges. Also include the total amount of any lump sum distribution including amounts reported on your U.S. 4972. Do not include

recoveries of after-tax contributions or amounts rolled over into another plan (amounts rolled over into a Roth IRA must be included to the extent included in AGI).

You must include any part of a distribution from a Roth IRA that exceeds your total contributions to the Roth IRA regardless of whether this amount is included in AGI. Assume that all contributions to the Roth IRA are withdrawn first. **Note:** Losses from Roth IRAs cannot be deducted.

Line 15: Enter the amount from U.S. *Schedule F* (farm income or loss). Attach *Schedule F*.

Line 16: Enter net capital gains and losses. This is the total of short- and long-term gains, less short- and long-term losses from your U.S. *Schedule 1040D*, line 16 (for gains) or line 21 (for losses--cannot exceed \$3,000). Include gains realized on the sale of your residence regardless of your age or whether or not these gains are exempt from federal income tax.

Line 17: Enter alimony received and other taxable income. Describe other taxable income. This includes:

- Awards, prizes, lottery, bingo and other gambling winnings over \$300
 - Farmland preservation tax credits, if not included in farm income on line 15.
-

Line 18: Enter your Social Security, Supplemental Security Income (SSI) and/or Railroad Retirement benefits. Include death benefits and amounts received for minor children or other dependent adults who live with you. Report the amount actually received. Do **not** include the amount deducted for Medicare.

Line 19: Enter child support and all payments received as a foster parent. **Note:** If you received a 2006 *Child Support Year-End Statement* (FEN-851) showing child support payments paid to the Friend of the Court, enter the child support portion here and attach a copy of the statement. See line 23.

Line 21: Enter other nontaxable income. This includes:

- Compensation for damages to character or for personal injury or sickness
- An inheritance (**except an inheritance from your spouse**)
- Proceeds of a life insurance policy paid on the death of the insured (**except benefits from a policy on your spouse**)
- Death benefits paid by or on behalf of an employer
- The value over \$300 in gifts of cash, merchandise or expenses paid on your behalf (rent, taxes, utilities, food, medical care, etc.) from parents, relatives or friends
- Minister's housing allowance
- Amounts paid directly to you as a scholarship, stipend, grant or GI bill benefits
- Reimbursement from dependent care and/or medical care spending accounts.

Also include payments made on your behalf except government payments made directly to an educational institution or subsidized housing project.

Line 22: Enter service-connected disability compensation and pension benefits from the Veterans Administration and workers' compensation benefits. Veterans receiving retirement benefits should enter the benefits on line 14.

Line 23: Enter the total payments made to your household by the DHS and all other public assistance payments. Your 2006 *Client Annual Statement* (DHS-1241) mailed by DHS in January 2007 will show your total DHS payments. Your statement(s) may include the following: Family Independence Program (FIP) assistance, State Disability Assistance (SDA), Refugee Assistance, Repatriate Assistance and vendor payments for shelter, heat and utilities. **Note:** If you received a 2006 FEN-851, subtract the amount of child support payments entered on line 19 from the total DHS payments and enter the difference here.

Line 25: Enter total adjustments from your U.S. 1040, line 36, or U.S. 1040A, line 20. Describe adjustments to income. These adjustments reduce household income and include the following:

- Archer MSA deduction
- Certain business expenses of reservists, performing artists and fee-basis government officials (U.S. 2106 or U.S. 2106EZ)
- Payments to individual retirement accounts (IRAs), SEP, SIMPLE or qualified plans
- Student loan interest deduction
- Medical savings account deduction
- Health savings account deduction
- Moving expenses into or within Michigan
- Deduction for self-employment tax
- Self-employed health insurance deduction
- Penalty on early withdrawal of savings
- Alimony paid
- Jury duty pay you gave to your employer
- Domestic production activities deduction
- Any other adjustments to gross income included on line 36 of your 2006 U.S. 1040.

Also enter the amount of an NOL deduction. **Note:** A deduction for a carryback or carryforward of an NOL cannot exceed federal modified taxable income. Attach your Form MI-1045.

Line 26: Enter medical insurance or HMO premiums you paid for yourself and your family (**not Medicare**). Include medical insurance premiums paid through post-tax payroll deduction. Include the portion of auto insurance paid for medical coverage. Do **not** include insurance premiums deducted on line 25 or premiums paid for income protection and long-term care insurance or amounts paid through pre-tax payroll.

Property Tax Credit

Line 29: Multiply line 28 by 3.5 percent (.035) or the percentage from Table 3 on this page. **This is the amount that will not be refunded.** The personal representative claiming a credit for a deceased taxpayer with household income of \$6,000 or less must annualize the deceased's income and use the annualized figure to determine the nonrefundable percentage from Table 3 on this page. Then use the **actual** household income to compute the credit. See instructions for annualizing on this page.

Line 34: Taxpayers with household income over \$82,650 (line 28) are not eligible for credit in any category. The computed credit is reduced by 10 percent for every \$1,000 (or part of \$1,000) that your household income exceeds \$73,650. If you are filing a part-year return (for a deceased taxpayer or a part-year resident), you must annualize the household income to determine if the credit reduction applies. If the annualized income is more than \$73,650, use actual household income to compute the credit; then reduce the credit 10 percent for every \$1,000 (or part of \$1,000) that your annualized income exceeds

\$73,650. The surviving spouse filing a joint claim does not have to annualize the deceased spouse's income.

To annualize income (project what it would have been for a full year):

Step 1: Divide 365 by the number of days the claimant was a Michigan resident in 2006.

Step 2: Multiply the answer from step 1 by the claimant's household income (line 28). The result is annualized income.

Line 35: If you and your spouse had a different residency status, check the box that applies to each spouse.

Renters

See "Rent That Can Be Claimed for Credit" on page 18.

Line 43: If you rented a Michigan homestead subject to local property taxes, enter the street number and name, city, landlord's name and address, number of months rented, rent paid per month and total rent paid. Do this for each Michigan homestead rented during 2006. If you need more space, attach an additional sheet. Do not include more than 12 months' rent. Do not include amounts paid directly to the landowner on your behalf by a

government agency, unless payment is made with money withheld from your benefit.

Credit Proration

If you received FIP assistance or other DHS benefits in 2006, prorate your credit to reflect the ratio of income from other sources to total household income. To prorate your credit, complete your Form MI-1040CR, lines 1-30 first, then use the information from your form to complete Worksheet 5 below.

Alternate Property Tax Credit for Renters Age 65 or Older

Worksheet 6, Line B: Enter rent paid from line 44 or, if you live in service fee housing, enter amount from line 46. If you moved from one rental homestead to another during the last two years (also see "If You Moved in 2006" on page 19), enter smaller of:

- The final month's rent on your previous rented homestead multiplied by 12, **or**
- The actual rent paid from line 44 or line 46.

TABLE 3: PERCENT OF TAXES NOT REFUNDABLE

ALL GENERAL CLAIMANTS

<u>Income</u>	<u>% of Income</u>
\$0 - \$82,650	3.5%

OTHER CLAIMANTS*

<u>Income</u>	<u>% of Income</u>
\$3,000 or less	0%
\$3,001 - \$4,000	1%
\$4,001 - \$5,000	2%
\$5,001 - \$6,000	3%
More than \$6,000	3.5%

*Other claimants are senior citizens or people who are paraplegic, hemiplegic, quadriplegic, blind, deaf, or totally and permanently disabled or unremarried spouse of an individual 65 or older.

WORKSHEET 5 - FIP/DHS BENEFITS

- A. Enter amount from line 23 (FIP and other DHS benefits) _____
- B. Enter amount from line 28 (Household Income) _____
- C. Subtract line A from line B (if amount is a negative value, enter 0) _____
- D. Divide line C by line B and enter percentage here _____
- E. If you checked a box on line 5, enter amount from line 30. All others, multiply amount on line 30 by 60% (.60) and enter here (max. \$1,200) ... _____
- F. Multiply line E by line D. If you are age 65 or older and you rent your home, enter amount here and on line A of Worksheet 6 below.
- Otherwise, enter here and on your MI-1040CR, line 32** _____

WORKSHEET 6 - ALTERNATE PROPERTY TAX CREDIT FOR RENTERS AGE 65 AND OLDER

- A. Enter amount from line 30 or from Worksheet 5, Line F, above _____
- B. Enter rent paid from line 44 or line 46 _____
- C. Multiply amount on line 28 by 40% (.40) and enter here _____
- D. Subtract line C from line B. If line C is more than line B, enter "0" _____
- E. Enter the larger of line A or line D here and carry amount to your MI-1040CR, line 32 _____

Forms contained in this book (pages 23 - 42) are **posted separately**.
Select and print the form you need from the list.

Forms

Page No.

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Schedule CT, College Tuition and Fees Credit	41-42

When to File a Single Business Tax Return

Single Business Tax (SBT) is a tax on business activity conducted in Michigan. You (individuals) are required to file an SBT return **if** you have business activity in Michigan and your apportioned or allocated receipts are \$350,000 or greater for the 2006 tax year. Business activity is indicated if:

- You are self-employed and/or have to pay self-employment tax with your federal income tax return, **or**
- You file a U.S. *Schedule C*, **or**
- You include rental property on a U.S. *Schedule E*, **or**

- Your earnings are reported to you on Form *1099 MISC* rather than Form *W-2*.

Software developers must support e-file for all SBT forms that are included in their tax preparation software. Therefore, all eligible SBT returns prepared using software must be e-filed through Michigan's Internet Portal. Visit www.michigan.gov/sbtefile for more information. If you have general questions about SBT, call the Customer Contact Division, Single Business Tax Section, at (517) 636-4700 or visit Treasury's Web site at www.michigan.gov/treasury.

Deceased Taxpayer Chart of Examples (See instructions, pages 7 and 19.)

A. Joint Filers with Surviving Spouse

1. Filer's First Name John	M.I. A	Last Name Brown	DECD
If a Joint Return, Spouse's First Name Jane	M.I. C	Last Name Brown	

B. Single Filer with Personal Representative

1. Filer's First Name John	M.I. A	Last Name Brown	EST OF
If a Joint Return, Spouse's First Name Sam	M.I. W	Last Name Jones	REP

C. Single Filer with Claimant

1. Filer's First Name John	M.I. A	Last Name Brown	DECD
If a Joint Return, Spouse's First Name John	M.I. P	Last Name Jones	CLAIMANT

D. Joint Filers with Personal Representative

1. Filer's First Name John	M.I. A	Last Name Brown	EST OF
If a Joint Return, Spouse's First Name Jane	M.I. C	Last Name Brown	EST OF
Home Address (No., Street, P.O. Box or Rural Route) John H. Jones REP 123 Main St.			

E. Joint Filers with Claimant

1. Filer's First Name John	M.I. A	Last Name Brown	DECD
If a Joint Return, Spouse's First Name Jane	M.I. C	Last Name Brown	DECD
Home Address (No., Street, P.O. Box or Rural Route) John H. Jones CLAIMANT 123 Main St.			

Worksheet 7: Exemption Allowance for Schedule NR

When One Spouse Is a Part-Year or Nonresident

A. Computing Amount of Exemption for Part-Year or Nonresident Income

- Michigan Taxable Income of spouse that is NOT a full year resident 1. _____
- Total Taxable Income of spouse that is NOT a full year resident 2. _____
- Divide line 1 by line 2 and enter percentage here 3. _____ %
- Michigan personal exemption allowance 4. **\$3,300**
- Number of spouse's special exemptions from MI-1040, line 9
_____ X \$2,100 5. _____
- Add lines 4 and 5 6. _____
- Multiply line 6 by the percentage on line 3 7. _____

B. Computing Amount of Prorated Exemption Amount for Dependents

- Michigan AGI for both spouses from Schedule NR, line 14b 8. _____
- Total AGI from Schedule NR, line 14a 9. _____
- Divide line 8 by line 9 and enter percentage here 10. _____ %
- Multiply line 10 by exemption allowance of \$3,300 11. _____
- Multiply line 11 by the number of dependents claimed 12. _____
- Multiply number of dependents claimed w/special exemptions (blind, deaf, etc.)
_____ X \$2,100 X % from line 10 13. _____

C. Computing Amount of Exemption for Resident Spouse

- Michigan resident spouse personal exemption allowance 14. **\$3,300**
- Number of resident spouse's special exemptions from MI-1040, line 9
_____ X \$2,100 15. _____
- Add lines 14 and 15 16. _____
- Add lines 7, 12, 13 and 16 and carry to Schedule NR, line 19 17. _____

Certified Community Foundations and Component Funds

A component fund serves donors and nonprofit organizations in a specific geographic area as a restricted fund of a neighboring community foundation. The following are certified for the Community Foundations Credit for 2006.

- | | |
|-----------------------------------------------------|------------------------------------------------------|
| 01 Albion Community Foundation | Lake County Community Foundation |
| 56 Allegan County Community Foundation | Mecosta County Community Foundation |
| Saugatuck/Douglas Area Community Fund | Osceola County Community Foundation |
| 63 Anchor Bay Community Foundation | 15 Grand Haven Area Community Foundation |
| 02 Ann Arbor Area Community Foundation | Allendale Community Foundation |
| Community Foundation of Plymouth | Coopersville Area Community Foundation |
| Ypsilanti Area Community Fund | 16 Grand Rapids Community Foundation |
| 49 Baraga County Community Foundation | Cascade Community Foundation |
| 58 Barry Community Foundation | Ionia County Community Foundation |
| 17 Battle Creek Community Foundation | Lowell Area Community Fund |
| Athens Area Community Foundation | Southeast Ottawa Community Foundation |
| Homer Area Community Foundation | Sparta Community Foundation |
| Springfield Area Community Foundation | Wyoming Community Foundation |
| 03 Bay Area Community Foundation | 46 Grand Traverse Regional Community Foundation |
| Arenac County Fund | 48 Gratiot County Community Foundation |
| 04 Berrien Community Foundation | 18 Greater Frankenmuth Area Community Foundation |
| 45 Branch County Community Foundation | 37 Greenville Area Community Foundation |
| 36 Cadillac Area Community Foundation | Lakeview Area Community Fund |
| Missaukee Area Community Foundation Fund | Montcalm Panhandle Community Fund |
| 64 Canton Community Foundation | 43 Hillsdale County Community Foundation |
| 06 Capital Region Community Foundation | 60 Huron County Community Foundation |
| Eaton County Community Foundation | 21 Jackson County Community Foundation |
| 66 Central Montcalm Community Foundation | 22 Kalamazoo Community Foundation |
| 44 Charlevoix County Community Foundation | Bangor Area Community Foundation |
| 28 Community Foundation for Muskegon County | Covert Township Community Foundation |
| Mason County Community Foundation | South Haven Community Foundation |
| Oceana County Community Foundation | 67 Keweenaw Community Foundation |
| 29 Community Foundation for Northeast Michigan | 77 Lapeer County Community Foundation |
| Iosco County Community Foundation | 23 Leelanau Township Community Foundation |
| North Central Michigan Community Foundation | 62 Lenawee Community Foundation |
| Straits Area Community Foundation | 55 Livonia Community Foundation |
| 09 Community Foundation for Southeast Michigan | 25 M & M Area Community Foundation |
| Chelsea Community Foundation | 65 Mackinac Island Community Foundation |
| Community Foundation for Livingston County | 24 Manistee County Community Foundation |
| 10 Community Foundation of Greater Flint | 39 Marquette Community Foundation |
| Clio Area Community Fund | Greater Ishpeming Area Community Fund |
| Fenton Community Fund | Gwinn Area Community Fund |
| Flushing Area Community Fund | Negaunee Area Community Fund |
| Grand Blanc Community Fund | 26 Marshall Community Foundation |
| 19 Community Foundation of Greater Rochester | 05 Michigan Gateway Community Foundation |
| 11 Community Foundation of Monroe County | 27 Midland Area Community Foundation |
| Greater Milan Area Foundation | Clare County Community Foundation |
| The Bedford Foundation | Gladwin County Endowment Fund |
| 35 Community Foundation of St. Clair County | 42 Mt. Pleasant Area Community Foundation |
| 20 Community Foundation of the Holland/Zeeland Area | Shepherd Community Fund |
| 54 Community Foundation of the Upper Peninsula | 68 Northville Community Foundation |
| Alger Regional Community Foundation | 75 Otsego County Community Foundation |
| Chippewa County Community Foundation | 47 Petoskey-Harbor Springs Area Community Foundation |
| Community Foundation for Delta County | 76 Roscommon County Community Foundation |
| Gogebic-Ontonagon Community Foundation | 30 Saginaw Community Foundation |
| Les Cheneaux Area Community Fund | Chesaning Area Community Foundation Fund |
| Schoolcraft County Community Foundation | 61 Sanilac County Community Foundation |
| St. Ignace Area Community Foundation | 71 Shelby Community Foundation |
| Tahquamenon Falls Area Community Foundation | 31 Shiawassee Community Foundation |
| West Iron County Area Community Fund | 78 South Haven Community Foundation |
| 72 Community Foundation of Troy | 57 Southfield Community Foundation |
| 50 Dickinson County Area Community Foundation | 74 Sterling Heights Community Foundation |
| Crystal Falls/Forest Park Area Community Fund | 40 Sturgis Area Community Foundation |
| Norway Area Community Fund | Constantine Area Community Foundation |
| 13 Four County Community Foundation | White Pigeon Area Community Foundation |
| 14 Fremont Area Community Foundation | 32 Three Rivers Area Community Foundation |
| | 73 Tuscola County Community Foundation |

School District Code List (See MI-1040 or MI-1040CR, line 4.)

Michigan public school districts are listed alphabetically with code numbers to the **left** of the names. When more than one district has the same name, the county or city name in parentheses helps you choose the right district. **Residents**, choose the code for the district where you lived on December 31, 2006. Call your local assessor or treasurer if you do not know your school district name. **Nonresidents**, enter “10000” in the code box.

31020 Adams Twp.	73180 Bridgeport-Spaulding	82040 Dearborn Heights (7)	80110 Gobles
46020 Addison	11340 Bridgman	80050 Decatur	41120 Godfrey-Lee
46010 Adrian	47010 Brighton	76090 Deckerville	41020 Godwin Heights
58020 Airport	17140 Brimley	46070 Deerfield	25050 Goodrich
79010 Akron-Fairgrove	46050 Britton-Macon	08010 Delton-Kellogg	25030 Grand Blanc
05010 Alba	12020 Bronson	17050 Detour	70010 Grand Haven
13010 Albion	76060 Brown City	82010 Detroit	23060 Grand Ledge
01010 Alcona	11310 Buchanan	19010 DeWitt	41010 Grand Rapids
74030 Algonac	28035 Buckley	81050 Dexter	41130 Grandville
03030 Allegan	73080 Buena Vista	31100 Dollar Bay-Tamarack City	62050 Grant
82020 Allen Park	56020 Bullock Creek	14020 Dowagiac Union	42030 Grant Twp. (2)
70040 Allendale	75020 Burr Oak	44050 Dryden	38050 Grass Lake
29010 Alma	02020 Burt Twp.	58050 Dundee	59070 Greenville
44020 Almont	78020 Byron	78030 Durand	82300 Grosse Ile Twp.
04010 Alpena	41040 Byron Center		82055 Grosse Pointe
50040 Anchor Bay		74050 East China	39065 Gull Lake
81010 Ann Arbor	83010 Cadillac	50020 East Detroit	52040 Gwinn
06010 Arenac Eastern	41050 Caledonia	41090 East Grand Rapids	
50050 Armada	31030 Calumet	38090 East Jackson	11670 Hagar Twp. (6)
07010 Arvon Twp.	30010 Camden-Frontier	15060 East Jordan	35020 Hale
29020 Ashley	74040 Capac	33010 East Lansing	03100 Hamilton
13050 Athens	25080 Carman-Ainsworth	34340 Easton Twp. (6)	82060 Hamtramck
25130 Atherton	55010 Carney-Nadeau	23050 Eaton Rapids	31010 Hancock
60010 Atlanta	79020 Caro	11250 Eau Claire	38100 Hanover-Horton
06020 Au Gres Sims	73030 Carrollton	82250 Ecorse	32060 Harbor Beach
02010 AuTrain-Onota	59020 Carson City-Crystal	14030 Edwardsburg	24020 Harbor Springs
63070 Avondale	76070 Carsonville-Pt. Sanilac	05060 Elk Rapids	13070 Harper Creek
	32030 Caseville	32050 Elkton-Pigeon-Bay Port Laker	82320 Harper Woods
32010 Bad Axe	79030 Cass City	05065 Ellsworth	18060 Harrison
43040 Baldwin	14010 Cassopolis	31070 Elm River Twp.	64040 Hart
80020 Bangor (Van Buren)	41070 Cedar Springs	49055 Engadine	80120 Hartford
80240 Bangor Twp. (8)	50010 Center Line	21010 Escanaba	47060 Hartland
09030 Bangor Twp.	05035 Central Lake	09050 Essexville-Hampton	33060 Haslett
07020 Baraga	59125 Central Montcalm	67020 Evart	08030 Hastings
21090 Bark River-Harris	75030 Centreville	66045 Ewen-Trout Creek	63130 Hazel Park
19100 Bath	15050 Charlevoix	40060 Excelsior (1)	73210 Hemlock
13020 Battle Creek	23030 Charlotte		62060 Hesperia
09010 Bay City	31050 Chassell Twp.	68030 Fairview	82070 Highland Park
37040 Beal City	16015 Cheboygan	63200 Farmington	60020 Hillman
51020 Bear Lake	81040 Chelsea	18020 Farwell	30020 Hillsdale
15010 Beaver Island	73110 Chesaning Union	03050 Fennville	70020 Holland
26010 Beaverton	54025 Chippewa Hills	25100 Fenton	63210 Holly
58030 Bedford	50080 Chippewa Valley	63020 Ferndale	33070 Holt
25240 Beecher	32040 Church	50090 Fitzgerald	61120 Holton
34080 Belding	18010 Clare	82180 Flat Rock	13080 Homer
05040 Bellaire	63090 Clarenceville	25010 Flint	03070 Hopkins
23010 Bellevue	63190 Clarkston	25120 Flushing	72020 Houghton Lake
25060 Bendle	63270 Clawson	40020 Forest Area	31110 Houghton-Portage
25230 Bentley	39020 Climax-Scotts	41110 Forest Hills	47070 Howell
11010 Benton Harbor	46060 Clinton	36015 Forest Park	46080 Hudson
10015 Benzie County Central	50070 Clintondale	19070 Fowler	70190 Hudsonville
63050 Berkley	25150 Clio	47030 Fowlerville	82340 Huron
34140 Berlin Twp. (3)	12010 Coldwater	73190 Frankenmuth	63220 Huron Valley
11240 Berrien Springs	56030 Coleman	10025 Frankfort-Elberta	
27010 Bessemer	32260 Colfax Twp. (1F)	50100 Fraser	58070 Ida
21065 Big Bay De Noc	11330 Coloma	53030 Free Soil	44060 Imlay City
62470 Big Jackson	75040 Colon	73200 Freeland	82080 Inkster
54010 Big Rapids	38040 Columbia	62040 Fremont	16050 Inland Lakes
73170 Birch Run	39030 Comstock	61080 Fruitport	34010 Ionia
63010 Birmingham	41080 Comstock Park	29050 Fulton	34360 Ionia Twp. (2)
46040 Blissfield	38080 Concord		22010 Iron Mountain
63080 Bloomfield Hills	75050 Constantine	39050 Galesburg-Augusta	27020 Ironwood
32250 Bloomfield Twp. (7F)	70120 Coopersville	11160 Galien Twp.	52180 Ishpeming
80090 Bloomingdale	78100 Corunna	82050 Garden City	29060 Ithaca
49020 Bois Blanc Pines	80040 Covert	69020 Gaylord	
15020 Boyne City	20015 Crawford AuSable	25070 Genesee	38170 Jackson
15030 Boyne Falls	82230 Crestwood	72010 Gerrish-Higgins	58080 Jefferson (Monroe)
63180 Brandon	76080 Crosswell-Lexington	82290 Gibraltar	70175 Jenison
11210 Brandywine		21025 Gladstone	69030 Johannesburg-Lewiston
29040 Breckenridge	33040 Dansville	26040 Gladwin	30030 Jonesville
22030 Breitung Twp.	25140 Davison	45010 Glen Lake	
	82030 Dearborn	03440 Glenn	

39010 Kalamazoo
51045 Kaleva Norman Dickson
40040 Kalkaska
25110 Kearsley
41140 Kelloggsville
41145 Kenowa Hills
41150 Kent City
41160 Kentwood
28090 Kingsley
79080 Kingston

07040 L'Anse
50140 L'Anse Creuse
78040 Laingsburg
57020 Lake City
25200 Lake Fenton
31130 Lake Linden-Hubbell
63230 Lake Orion
50120 Lake Shore (Macomb)
11030 Lakeshore (Berrien)
13090 Lakeview (Calhoun)
50130 Lakeview (Macomb)
59090 Lakeview (Montcalm)
25280 Lakeville
34090 Lakewood
63280 Lamphere
33020 Lansing
44010 Lapeer
80130 Lawrence
80140 Lawton
45020 Leland
49040 Les Cheneaux
33100 Leslie
81070 Lincoln
82090 Lincoln Park
25250 Linden
30040 Litchfield
24030 Littlefield
82095 Livonia
41170 Lowell
53040 Ludington

49110 Mackinac Island
16070 Mackinaw City
46090 Madison (Lenawee)
63140 Madison (Oakland)
05070 Mancelona
81080 Manchester
51070 Manistee
77010 Manistique
83060 Manton
23065 Maple Valley
13095 Mar Lee
14050 Marcellus
67050 Marion
76140 Marlette
52170 Marquette
13110 Marshall
03060 Martin
74100 Marysville
33130 Mason (Ingham)
58090 Mason (Monroe)
53010 Mason County Central
53020 Mason County Eastern
80150 Mattawan
79090 Mayville
57030 McBain
82045 Melvindale-North Allen Park
74120 Memphis
75060 Mendon
55100 Menominee
56050 Meridian
73230 Merrill
83070 Mesick
38120 Michigan Center
21135 Mid Peninsula
56010 Midland
81100 Milan
79100 Millington
68010 Mio-AuSable

61060 Mona Shores
58010 Monroe
59045 Montabella
61180 Montague
25260 Montrose
49070 Moran Twp.
46100 Morenci
54040 Morley Stanwood
78060 Morrice
50160 Mt. Clemens
25040 Mt. Morris
37010 Mt. Pleasant
02070 Munising
61010 Muskegon
61020 Muskegon Heights

38130 Napoleon
52090 Negaunee
11200 New Buffalo
50170 New Haven
78070 New Lothrop
62070 Newaygo
52015 N.I.C.E. (Ishpeming)
11300 Niles
30050 North Adams-Jerome
44090 North Branch
55115 North Central
22045 North Dickinson
32080 North Huron
61230 North Muskegon
45040 Northport
41025 Northview
82390 Northville
38140 Northwest
22025 Norway-Vulcan
75100 Nottawa
63100 Novi

63250 Oak Park
61065 Oakridge
33170 Okemos
23080 Olivet
71050 Onaway
23490 Oneida Twp. (3)
51060 Onekama
46110 Onsted
66050 Ontonagon
61190 Orchard View
35010 Oscoda
03020 Otsego
19120 Ovid-Elsie
32090 Owendale-Gagetown
78110 Owosso
63110 Oxford

34040 Palo
39130 Parchment
80160 Paw Paw
76180 Peck
24040 Pellston
13120 Pennfield
64070 Pentwater
78080 Perry
24070 Petoskey
19125 Pewamo-Westphalia
17090 Pickford
47080 Pinckney
09090 Pinconning
67055 Pine River
30060 Pittsford
03010 Plainwell
82100 Plymouth-Canton
63030 Pontiac
32130 Port Hope
74010 Port Huron
39140 Portage
34110 Portland
71060 Posen
23090 Pottersville
52100 Powell Twp.

12040 Quincy

21060 Rapid River
61210 Ravenna
30070 Reading
82110 Redford Union
67060 Reed City
79110 Reese
61220 Reeths-Puffer
52110 Republic-Michigamme
50180 Richmond
82120 River Rouge
11033 River Valley
82400 Riverview
63260 Rochester
41210 Rockford
71080 Rogers City
50190 Romeo
82130 Romulus
50030 Roseville
63040 Royal Oak
17110 Rudyard

73010 Saginaw City
73040 Saginaw Twp.
81120 Saline
46130 Sand Creek
76210 Sandusky
34120 Saranac
03080 Saugatuck
17010 Sault Ste. Marie
39160 Schoolcraft
64080 Shelby
37060 Shepherd
32610 Sigel Twp. (3)
32620 Sigel Twp. (4)
32630 Sigel Twp. (6)
11830 Sodus Twp. (5)
80010 South Haven
50200 South Lake
63240 South Lyon
82140 South Redford
63060 Southfield
82405 Southgate
41240 Sparta
70300 Spring Lake
38150 Springport
73240 St. Charles
49010 St. Ignace
19140 St. Johns
11020 St. Joseph
29100 St. Louis
06050 Standish-Sterling
31140 Stanton Twp.
55120 Stephenson
33200 Stockbridge
75010 Sturgis
58100 Summerfield
02080 Superior Central
45050 Suttons Bay
73255 Swan Valley
25180 Swartz Creek

48040 Tahquamenon
35030 Tawas
82150 Taylor
46140 Tecumseh
13130 Tekonsha
08050 Thornapple Kellogg
75080 Three Rivers
28010 Traverse City
82155 Trenton
59080 Tri County
63150 Troy

32170 Ubly
13135 Union City
79145 Unionville-Sebewaing
50210 Utica

82430 Van Buren
50220 Van Dyke
69040 Vanderbilt
38020 Vandercook Lake
79150 Vassar
32650 Verona Twp. (1F)
59150 Vestaburg
39170 Vicksburg

27070 Wakefield-Marenisco
30080 Waldron
64090 Walkerville
63290 Walled Lake
50230 Warren
50240 Warren Woods
63300 Waterford
27080 Watersmeet Twp.
11320 Watervliet
33215 Waverly
03040 Wayland Union
82160 Wayne-Westland
33220 Webberville
52160 Wells Twp.
63160 West Bloomfield
65045 West Branch-Rose City
36025 West Iron County
70070 West Ottawa
38010 Western
82240 Westwood
25210 Westwood Heights
62090 White Cloud
75070 White Pigeon
66070 White Pine
17160 Whitefish
58110 Whiteford
61240 Whitehall
81140 Whitmore Lake
35040 Whittemore Prescott
33230 Williamston
81150 Willow Run
16100 Wolverine
82365 Woodhaven-Brownstown
82170 Wyandotte
41026 Wyoming

74130 Yale
81020 Ypsilanti

70350 Zeeland

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Review this label. If the information is correct, place the label on the address block of your tax return. **If any information is incorrect, do not use this label.** Write the correct information on the return. If you use a tax preparer, take this book to your preparer and ask him or her to use this label. Using this label will help shorten the processing time of your return.

Financial Information for Fiscal Year 2005

This information is intended to give you an overview and broad perspective of the state's financial operations. These figures were derived from the latest *Michigan Comprehensive Annual Financial Report* for the fiscal year ended September 30, 2005.

State Revenues and Financing Sources

(Millions of Dollars)

Financing Source	Amount	%
Sales and Use Taxes	\$8,001.5	29.8%
Income Tax	6,108.9	22.8%
Other Revenue & Taxes	4,640.4	17.3%
Single Business & Insur. Taxes	2,156.7	8.0%
Motor Vehicle & Fuel Taxes	2,010.5	7.5%
State Education Tax	1,914.6	7.1%
Tobacco & Liquor Taxes	1,330.8	5.0%
Lottery Profits	680.3	2.5%
Total	\$26,843.7	100.0%

State Expenditures and Financing Uses

(Millions of Dollars)

Financing Use	Amount	%
Education	\$13,228.0	49.3%
Health	3,976.4	14.8%
Transportation	2,245.6	8.4%
Law Enforcement & Public Safety	2,141.0	8.0%
General Government	1,257.5	4.7%
Human Services	1,196.4	4.4%
Revenue Sharing to Local Governments	1,112.9	4.1%
Economic Dev. & Environmental Reg.	932.0	3.5%
Other	753.9	2.8%
Total	\$26,843.7	100.0%

Treasury Offices

Forms are available at Treasury offices listed below.
Treasury office staff do not prepare tax returns.

DETROIT, 48202-6060
Cadillac Place, Suite 2-200
3060 W. Grand Blvd.

DIMONDALE *
7285 Parsons Drive
(*NOT a mailing address)

ESCANABA, 49829
State Office Building, Room 7
305 Ludington St.
(open 8 - 12 only)

FLINT, 48502
State Office Building, 7th Floor
125 E. Union St.

GRAND RAPIDS, 49503
State Office Building, 2nd Floor
350 Ottawa St., NW

STERLING HEIGHTS, 48314
41300 Dequindre, Suite 200

TRAVERSE CITY, 49684
701 S. Elmwood Ave.
(open 8 - 12 only)

Unclaimed Property

The Michigan Department of Treasury is holding millions of dollars in abandoned and unclaimed property belonging to Michigan residents. To check if the Treasury Department is holding funds for you or your family, visit our Web site at www.michigan.gov/unclaimedproperty.

E-file and Leave the Paper Behind!



- Accurate
- Quick Refunds
- Proof of Acceptance
- May Be Free – do you qualify?

www.MIfastfile.org